FINANCIAL TIMES

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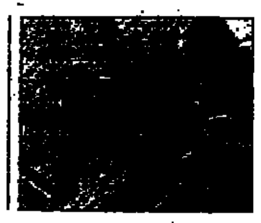
WEDNESDAY NOVEMBER 11 1998

Drugs for the third world
Multinationals show they have consciences
Page 4



The grain barons
Cargill brings home a bumper harvest
Page 13

Privatisations in Turkey
'Everything we complain about stems from the public sector'
Page 2

Norway
Economic squalls from the North Sea
Separate section

WORLD NEWS

Brussels plans new crackdown on state tax subsidies

The European Commission is to take a fresh crack at stopping Europe's state aid bandwagon, still rolling despite Brussels' best policing efforts. Karel Van Miert, competition commissioner, has turned his attention to a disguised form of subsidy known as fiscal aid. Page 2

Dutch plan short euro overlap
The Netherlands intends to remove the guilder from circulation four weeks after the arrival of the euro in 2002. Page 3

EU warns over Cyprus division
The European Union opened talks with six countries seeking membership amid warnings that the division of Cyprus could slow the enlargement. Page 2

French broadcasting overhaul
The role of advertising in France's public television will be sharply reduced in an overhaul of the country's four state-run channels. Page 3

Setback for Ulster arms talks
Any hope of an early breakthrough on "decommissioning" of weapons in Northern Ireland appeared to recede, with Martin McGuinness, Sinn Féin's chief negotiator, ruling out even a token gesture by the IRA, the party's military wing. Page 10

Smith sworn in as Bermuda PM
Jennifer Smith, leader of Bermuda's Labour party, was sworn in as premier, promising a seamless change in policy towards the territory's financial sector. Page 7

Ecuador to suspend income tax
The government of Ecuador plans to suspend income tax for at least two years and replace it with a 1 per cent tax on banking transactions. Page 7

Powell recruited to fight racism
The UK government enlisted General Colin Powell, former chairman of the US joint chiefs of staff, in a "war against racism" in the armed forces. Page 10

Japan to issue coupons for needy
Japan's ruling Liberal Democratic party yesterday adopted a controversial Y700bn ($5.7bn) national "shopping coupon" scheme in a desperate attempt to boost the economy. Page 14; Editorial Comment, Page 13

Indonesian army ploy risks riots
Indonesia's military, under pressure to withdraw from politics, risked another bout of riots by pitting opposition groups against government supporters. Page 8

Tibetan monk may have fled to US
A senior Tibetan official in China has gone to the US in mysterious circumstances, raising the possibility that he may apply to live there in exile. Page 8

Obuchi to raise islands question
Keizo Obuchi, Japan's prime minister, is expected to raise the issue of sovereignty over the disputed Kuriles islands when he meets Boris Yeltsin, Russia's president. Page 2

Olmert set to cement power base
Ehud Olmert, mayor of Jerusalem, was heading for a landslide victory in elections which could boost his attempt to be the next prime minister for Israel's right-wing Likud party. Page 4

Abacha family returns $750m
The family of Nigeria's late dictator Sani Abacha has handed back more than $750m in state funds illegally amassed by the former leader. Page 4

BUSINESS NEWS

BASF attacks plan for increase in German energy tax

BASF, Germany's biggest chemicals group, attacked the new German government's proposals for higher energy taxes as it warned that conditions in the chemicals industry would deteriorate sharply next year. Page 15

Efforts to restructure the French aerospace sector took a step foward last night with the announcement of an agreement between Aerospatiale, the state-owned aerospace group, and the Dassault organisation.

The Italian cabinet last night finalised a decree that will open the country's electricity market to competition early in the next century. Page 3

France Telecom shareholders were warned by the French stock market regulator to act swiftly to avoid their stakes being diluted under the terms of a secondary share offering. Page 19

Sprint, the US telecoms group, launched the second largest corporate bond offering in history. It will use the proceeds to refinance bank debt. Page 15

Cargill and Continental Grain, two of the largest grain exporters in the US, said they were confident regulators in Europe and the US would approve their proposed merger. Page 15; Observer, Page 13; Lex, Page 14

Deutsche Bank of Germany joined the ranks of western fund management groups aiming to expand in Japan, with the announcement of a strategic alliance with Nippon Life. Page 19

Stora and Enso, the Swedish and Finnish groups merging to form the world's largest paper producer, announced a big jump in profits but warned of weaker times ahead. Page 19

Konami, a Japanese manufacturer of video-game software, plans to list its shares in London early next year. It is also considering a listing in New York. Page 18

Steelmakers in the European Union are to launch dumping complaints over steel imports from up to eight Asian, African and eastern European countries. Page 6

The rescue operation to revive Triton Energy, the US oil group, took an unexpected turn yesterday with the emergence of a potential investor. Page 16

Nissan Motors, the troubled Japanese carmaker, warned it was heading for its sixth year of losses in the past seven years as it reported a 36 per cent fall in interim profits. Page 18

Sega, the troubled Japanese computer games company, has production problems with its new Dreamcast games console that will hit its Christmas sales. Page 15

Wal-Mart Stores, the US discount retailer, announced a surprisingly large increase in profits. Page 16

Suzuki Motors, the Japanese mini-car manufacturer, reported a 13.6 per cent decline in interim net earnings. Page 18

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 35

French and German retail prices fall

Bankers may resist interest rate cuts despite deflation fears

By Wolfgang Münchau in Frankfurt

German and French prices fell in October, triggering fears that the core of the European economy might be on the verge of deflation.

The national consumer price indices dropped by a monthly 0.2 per cent in October in Germany, and by a provisional 0-0.1 per cent in France. These data translate into annual inflation rates of 0.7 per cent for Germany, and 0.4-0.5 per cent for France.

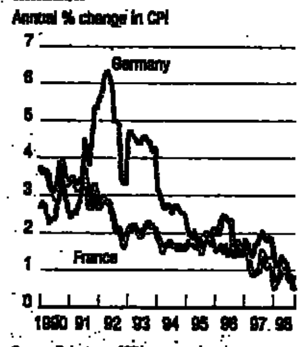
However, a recent Bundesbank study said German inflation may be overstated by as much as 0.75 percentage points, so that German prices may already be falling on an annual basis.

Stephan Monissen, economist at Salomon Smith Barney in London, calculated that the French and German data may push the harmonised index of consumer prices (HICP) for the euro zone below 1 per cent in October for the first time since the pan-European index's launch in 1996.

There is increasing anecdotal evidence in Germany of a deterioration in consumer sentiment. BASF, the German chemical company, yesterday warned about a price squeeze in its industry.

Price wars are also raging in German telecommunications and electronic retailing. The mass market Bild newspaper yesterday advised its readers to hold off spending on textiles, as prices were expected to fall further.

Inflation
Annual % change in CPI



Source: Datastream/ICV

Central bankers tend to define deflation as an environment in which the public holds off purchases in the expectation of falling prices rather than as a one-off fall in the price level.

Wim Duisenberg, president of the European Central Bank, insisted yesterday that monetary policy would not react to temporary falls in the price level. His comments suggest that Europe's central bankers will resist pressure for lower interest rates in response to the decline in national prices.

The ECB will take over monetary policy from national central banks in the 11-nation euro zone from next January.

Speaking in Dublin, Mr Duisenberg gave an upbeat assessment of economic prospects in the euro-zone. He said he would not speculate on a unilateral German interest rate cut before the end of this year. He said fluctuations in commodity prices and indirect taxes "may lead to occasional falls in the HICP or occasional increases above 2 per cent. These are quite normal and consistent with a meaningful definition of price stability."

Mr Duisenberg held out hopes that the international financial crisis may have passed its peak. He said the European economy slowed down during the second quarter, but rebounded in the third quarter.

Peter Cornelius, ECB watcher at Deutsche Bank in Frankfurt, warned: "We are moving on thin ice. There have been some positive signs in the last few weeks, but the fundamental situation in the emerging markets has not changed."

Schröder pledges reform, Page 2

Gerhard Schröder, the German chancellor, delivering his first major policy speech yesterday to the Bundestag, the lower house of parliament AP

WASHINGTON DRAWS UP WIDE-RANGING HIT LIST FOR POSSIBLE SANCTIONS AS BANANA TRADE DISPUTE ESCALATES

US threatens 100% duties on EU exports

By Stephen Fidler in Washington and Neil Buckley in Brussels

The US yesterday said it would impose 100 per cent duties on a range of European products if Europe did not amend its banana import regime by January 1, 1999.

In an escalation of the bitter dispute between the two trading powers, the office of the US Trade Representative published a list of threatened products including wine and cheese, paper and board, cosmetics, clothing, toys and electrical goods.

However, the list excludes Scotch whisky, a prime target of previous US retaliation in trade wars with Europe. The omission appears to be a political concession to Britain which, along with France, is the banana regime's strongest EU supporter.

USTR said it would take public comments on the list by the end of this month, and make its announcement about the goods which would be taxed on December 15. The duties would be imposed as early as February 1.

Jay Ziegler, USTR spokesman, rejected European claims that the US move was inconsistent with the rules of the World Trade Organisation.

The EU's rules favour banana imports from former European colonies in the Caribbean over bananas produced in Central and South America, most of which are distributed by US companies.

Mr Ziegler said that failing to comply with the ruling set a precedent which was enough to persuade the US to take action over a commodity not produced in the US. "If the EU is allowed to disavow its market opening obligations in this case, then it could encourage other countries to do the same," he said.

EU officials have said they fear that US policy is being influenced by Carl Lindner, chairman of Chiquita, the US banana company and a large contributor to both US political parties. The House of Representatives passed a non-binding resolution in October urging action to win EU compliance with the banana ruling. EU officials were taken aback by the broad range of products on the US list.

Sir Leon Brittan, EU trade commissioner, attacked the US move as "politically unwise" and warned that the EU would have "no choice but to take rapid steps to challenge it in the WTO" if Washington persisted.

He cautioned that US sanctions would be a "particularly grave error of political judgment" when the US and EU needed to provide joint leadership in the global economic crisis.

"This is the worst possible moment to launch sanctions, on an issue of minor economic interest to the US, against their biggest and closest trade and political partners," Sir Leon added. "The continental US is neither a grower nor exporter of bananas."

He insisted that the EU had taken steps to come into line with last year's WTO ruling on the banana regime, and would co-operate if the US asked the WTO to assess its compliance.

The commissioner made clear that the EU would not respond to US sanctions with unilateral measures of its own. But officials added that if the EU won a WTO case against US sanctions, and Washington refused to lift them, the EU could retaliate with similar measures.

To the brink, Page 6
Editorial Comment, Page 13

British shoppers get first taste of the euro

By Sheila Jones in Rotherham

Jessie Butler is bemused. "That's a lot for a bag of lemons isn't it?" she said.

At Euro 1.39 (99p), the price tag is a double surprise for Mrs Butler and dozens of other shoppers in Rotherham, north-east England.

In spite of Britain's decision to stay out of the first wave of the euro on January 1, 1999, the South Yorkshire town of Rotherham is plunging ahead with a week-long experiment with Europe's single currency.

The vanguard role suits Rotherham – a town at the heart of the industrial revolution, which more than a century ago supplied the steel and coal that modernised Europe's armaments, rail and shipbuilding.

Over the last 30 years, Rotherham has lost thousands of jobs in coal, steel and engineering. Locals believe the town has more to gain than most from looking towards the European Union.

Next year, South Yorkshire expects to gain Objective 1 status, the highest level of funding from Brussels. This could release up to £1bn in European and private funds to fuel a regional revival.

"We want to be Euro ready," said Phil Davies, Rotherham's Euro Project manager. "This town is heavily dependent on European trade so people need to know about the single currency."

Business leaders across the UK are stepping up pressure on the government to speed up moves towards the single currency so they can prepare for its introduction.

But the government says it will not publish a national transition plan until January, and the changeover period could last until 2005.

Rotherham is not waiting. Special euro vouchers, worth 70p at current exchange rates, were handed out free for shoppers to spend in the town during its week-long euro awareness campaign.

The campaign is backed by 300 restaurants and retailers, including Tesco, Boots, Burger King, KwikSave and McDonald's. The US fast-food giant yesterday exchanged the vouchers, which are not legal tender, for burgers, coffee and bags of potatoes.

Like the politicians in London – and at 10 Downing Street – shoppers suspended judgment on the euro.

"I've heard about the European currency, but what's wrong with the pound?" said Clare Kelly. "I'd rather stick with what I know."

Another shopper, Joan Carr, said: "I don't mind being in Europe, but I feel we will lose our dignity.

"If they told us a bit more about it I might be more in favour."

Conservatives quarrel, Page 10

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8897.45	(-0.51)
NASDAQ Composite	1865.10	(+4.05)
Europe and Far East		
CAC40	3544.74	(-40.69)
DAX	4862.78	(-105.90)
FTSE 100	5432.3	(-1.8)
Nikkei	14108.89	(-89.45)
US Lunchtime RATES		
Federal Funds	4.9375%	
3-mth Treas Bills: Yld	4.58%	
Long Bond	99¾	
Yield	5.28%	
OTHER RATES		
UK: 3-mo Interbank	6⅝%	(same)
UK: 10 yr Gilt	131.11	(130.42)
France: 10 yr OAT	133.84	(133.8)
Germany: 10 yr Bund	104.41	(104.27)
Japan: 10 yr JGB	108.81	(108.57)
NORTH SEA OIL (Argus)		
Brent Dated	$11.14	(11.27)

GOLD		
New York: Comex	$294.2	(293.4)
London	$292.75	(292.45)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6598	
DM	1.6865	
FFr	5.6552	
SFr	1.36936	
Y	122.765	
London		
£	1.6624	(1.6595)
DM	1.684	(1.6876)
FFr	5.6474	(5.657)
SFr	1.3691	(1.3948)
Y	122.47	(121.3)
Tokyo Close		Y 121.80
Sterling		
DM	2.7994	(2.8003)

CONTENTS

World News 2-8 UK News 10
Features 22 Comment & Analysis 12,13
Companies & Finance 15-21 World Stock Markets 30-36
Full contents and Lex: back page

GERMANY'S GOVERNMENT PROGRAMME CHANCELLOR TO PROMOTE PRIVATE PENSIONS AND CONCENTRATE SUBSIDIES ON TRULY NEEDY

Schröder pledges strict financial control

By Ralph Atkins in Bonn

Gerhard Schröder, Germany's new chancellor, yesterday unveiled his programme for government, pledging stringent control of the state's finances and to create a federal republic of the "new centre" with Berlin as its capital.

His two-hour statement to the Bundestag, the lower house of parliament, sought to draw a line under a difficult first two weeks in office with promises to promote private pension provision, encourage personal responsibility and concentrate state subsidies and spending on the "truly needy".

The speech reflected strongly Mr Schröder's political pragmatism, with few concessions to traditional Social Democrats or the demand-orientated ideology of Oskar Lafontaine, the left-leaning finance minister and SPD chairman. Mr Schröder coupled fiscal policy with supply side measures, including deregulation and the opening of markets.

The speech marked an attempt to reassert authority over the SPD-led government, diverted by conflicts with the Bundesbank over interest rate policy and with its Green party allies over higher energy taxes.

Industry organisations, however, regretted the lack of firm targets for curbing state spending and warned of the impact of proposed tax plans on unemployment.

Mr Schröder said first results of a financial audit showed federal debt had soared far above DM1,000bn ($600bn); annual borrowing threatened to rise by up to DM20bn more than in current mid-term finance plans. "This I can't and don't want to accept," he said. A "resolute" financial consolidation course would put all federal spending under scrutiny.

The chancellor pledged to ensure the euro currency would be stable. The stability of the monetary policy would not be thrown into question. He insisted that calls from his government for a cut in interest rates did not jeopardise the independence of the Bundesbank or new European Central Bank.

He set as his top priority the tackling of unemployment through tax policy, a doubling of investment in research over five years and an "alliance for jobs", starting in early December and bringing together the state, unions and employers. He would take personal charge of eastern German reconstruction, with the cabinet meeting every second month in the region.

Employment creation would also become part of European policy. "We will take care that Germany is no longer the brake on social policy in the EU," he said. He pledged the "Agenda 2000" programme of EU structural and financial reform would be completed at a special summit under Germany's presidency next spring. On nuclear power, Mr Schröder confirmed plans for a shutdown of plants in agreement with the energy sector. Transport of atomic waste through Germany would be curbed.

Mr Schröder confirmed cuts in state pensions introduced by the previous government would be reversed, but replaced with a reform package based on four pillars. These were: the pay-as-you-go state system; occupational pensions; private provision encouraged by the tax system; and employee participation in company profits.

Editorial Comment, Page 13

EU warns Cyprus split may slow talks

By Michael Smith in Brussels

The European Union yesterday opened substantive talks with six countries seeking membership amid warnings that the division of Cyprus, one of the applicants, could slow the proposed enlargement.

"It would be dishonest to pretend that problems [over Cyprus] do not exist," said Wolfgang Schüssel, foreign minister of Austria, which holds the EU rotating presidency.

But he said the start of talks in seven areas with the foreign ministers of Poland, Hungary, the Czech Republic, Estonia, Slovenia and Cyprus had been a success. "Today we opened the actual negotiations. Nothing can stop the train."

Earlier France, Germany and the Netherlands had issued a joint communiqué pointing to the slow progress in uniting Cyprus and questioning the wisdom of admitting the island while it was still divided. They said a solution was needed urgently.

Greece yesterday reiterated its threat to block any enlargement if Cyprus's membership application was turned down.

Cyprus has been divided since 1974 when Turkey invaded its northern third in response to a short-lived coup in Nicosia.

Ioannis Kasoulides, Cypriot foreign minister, yesterday called on the EU to push Turkey into helping end the division of the Mediterranean island. "It is our earnest desire to see the Turkish Cypriots participating with us in efforts to join the EU. We hope the political circumstances will allow them to take it up."

Mr Schüssel played down the statement of the Dutch, German and French governments, which was later supported by Italy. He said the EU's formal view remained that Cyprus was a valid candidate and membership talks could encourage UN reconciliation efforts on the island.

"I do not want the success of today's meeting [with Cyprus] being turned on its head. We do not have deadlock or blockage. We have an unblocking for all countries, including Cyprus."

The talks which began yesterday aim to wrap up negotiations on 20,000 pages of *acquis* – EU rules and regulations – that make up the first seven of the 37 chapters which accession countries must negotiate.

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SUBSIDIES EUROPEAN COMMISSION TO REIN IN FISCAL AID

Brussels acts to stem tax breaks

By Emma Tucker in Brussels

The European Commission is to take a fresh crack today at stopping Europe's state aid bandwagon, still rolling despite Brussels' best policing efforts.

In an attempt to outflank member states that have resorted to increasingly sophisticated tactics to circumvent the rules, Karel Van Miert, competition commissioner, has turned his attention to a disguised form of subsidy known as fiscal aid.

Within the European Commission this form of aid – tax breaks to selected companies – has been causing increasing alarm.

The number of schemes designed to lure investors and assist local employers has proliferated to the point where all EU countries have something to hide. The low tax zones in Gibraltar, Trieste, and Madeira are just the more prominent among many.

"The schemes are incredibly distortive," said an EU official. "Governments think they are a safer bet than straight forward hand outs which they know will be investigated."

Under guidelines to be adopted by the Commission today all forms of exceptional tax treatment that affect competition and trade between the member states will be outlawed.

These could be lower tax rates, a waiving of employer contributions, the deferment of tax debt or an accelerated depreciation of assets.

Such tax subsidies will only be allowed if their claims to assist a region are considered bona fide, and if they do not lead to "significant tax losses" in other EU countries. To be approved, they will have to be generally applied and non-discriminatory.

The new guidelines will merely restate and clarify existing Commission policy. But until now Brussels has been slow to act because of the difficulty of identifying state aid masquerading as tax policy. The initiatives, usually justified on regional development grounds, also tend to be politically sensitive.

Mr Van Miert has picked a good time to signal a clampdown.

The guidelines will reinforce work by Mario Monti, the Italian single market commissioner, who has proposed a code of conduct aimed at ironing out the worst tax distortions.

By exploiting the general desire among EU countries to tackle so-called "harmful" tax competition, Mr Van Miert should be able to fend off objections from the more interventionist centre-left governments, which believe they have a legitimate role to play in assisting enterprise.

Mr Van Miert has waited until the most politically sensitive of all the special tax regimes – Ireland's 10 per cent preferential corporation tax rate for manufacturers – had been dealt with.

The regime was furiously criticised by neighbouring EU countries which accused the Irish of siphoning off valuable investment capital.

Under a deal agreed by the Commission and the Irish government in July, a single rate of corporation tax of 12.5 per cent for all companies will be phased in by 2003.

The prospect of increased vigilance by the Commission has unsettled the business community.

Unice, the EU industry federation, says it supports the intention to remove tax provisions which unfairly distort competition. But it is worried that companies which entered into agreements in good faith will be penalised.

The federation is particularly worried about the retroactive impact of the guidelines.

"Demanding recovery of aid even for a limited time of 10 years can nevertheless result in companies being forced into bankruptcy under certain circumstances," it says.

In the Irish case, the Commission has agreed to allow existing investors and newcomers on an agreed "pipeline" list to continue to benefit from the 10 per cent rate until 2010.

Turkish sell-offs undermined by corruption claims

Investor confidence in privatisations has been jolted by allegations of mafia involvement. **Leyla Boulton** and **Christopher de Bellaigue** report

Mesut Yilmaz, Turkey's prime minister, used to boast until a month ago that his fragile coalition government would raise more money from privatisation in one year than all other Turkish administrations put together since the country began selling off state-owned assets in 1984.

But allegations over the past month of corruption and mafia involvement in privatisation threaten to undo progress made even before investors lost confidence in emerging markets after the economic meltdown in south-east Asia and Russia.

The courts are examining the validity of the government decision in June to award 51 per cent of Petrol Ofisi, the country's biggest chain of petrol stations to the third highest bidder at a controversial auction this summer. Is Bankasi, a privatised bank in the winning consortium, is trying to retrieve its $60m down-payment for the $1.1bn transaction.

Even more damaging at a time when popular suspicion of privatisation was already running high, the $600m sale of Turk Ticaret Bank was frozen last month pending investigations of allegations that Alaattin Cakici, alleged to be a leading mafia figure godfather, intervened to ensure that a rich property developer won the tender.

Mr Yilmaz, who will probably have to fight an election early next year, has said he needs a few months to clean up the mafia-government connections said to have been exposed by evidence of ties between officials and Mr Cakici, who was taken into custody in France in the summer.

Some important arrests have been made in Turkey since then. But opposition leaders prefer to dwell on the PM's admission that his office lost a police report warning of underworld involvement on the eve of the Turk Ticaret sale.

The man who has to cope with all this is Ugur Bayar, head of the Privatisation Administration, a US-trained 34-year-old former banker turned crusader for the rescue of enterprises from crippling state ownership.

"It is very sad," he says, fiddling with his worry beads, "that by becoming associated with the word mafia, privatisation has become tainted in the eyes of common people.

"This has nothing to do with the right, or the left, or [Islamic] fundamentalism or anything like that. You just need brains to understand how obsolete, heavy, and lumpy state-owned enterprises are."

By way of illustration, he says that Toros, a private sector fertiliser producer with a 21 per cent market share, employs 81 people in its marketing department compared with 927 at Turksas, its state-owned counterpart.

He distances his office from the scandals, noting that the central bank was responsible for the bank privatisation, while higher authorities determined the final outcome of the Petrol Ofisi auction. He asks how security, intelligence and crime-fighting bodies failed to detect the alleged criminal involvement in good time. "Everything we complain about [in Turkey] stems from the public sector," says Mr Bayar. "Turkey's private sector with its unmatched entrepreneurial skill is what holds the country up. Just leave it to market forces to take the helm and this country is going to be a very different place."

Domestic political troubles – uncertainty over the timing and outcome of the next elections – could hardly have come at a worse time for Turkey's image abroad.

Unlike Russia, Turkey has continued to repay its large debts without a hitch and Turkish central bank and treasury officials have been praised for their skilful response to the international crisis. But David Tonge, who advises foreigners on investing in Turkey, reports that outsiders have become worried about the "lack of transparency" in Turkish privatisation since the Petrol Ofisi debacle. Anti-privatisation campaigners have also begun to press their case with a new determination, with one trade union leader describing the programme as "a cesspool".

Some businessmen hope the scandals may mark the beginning of an Italian-style crackdown on organised crime and corruption. Mr Bayar thinks "some good will come out of the mess". Among other benefits, he says, it may strengthen the drive to set up effective "regulatory entities equipped with a lot of powers" to ensure the economy operates more fairly and transparently as the state withdraws from the sectors it still controls.

Until market conditions improve, big offerings, such as a 25 per cent stake in Turkish Airlines, frozen after the Istanbul stock exchange tumbled 55 per cent in response to the economic turmoil in Russia, remain on hold.

But plans for smaller sales in sectors such as tourism and pulp as well as a $100m private equity fund envisaged by Ata Invest, a Turkish brokerage, will provide early tests of whether the country can expect more favourable treatment from foreign investors.

Turkish tears: a soldier is overcome during a ceremony in Dolmabahçe Palace, Istanbul, yesterday marking the 60th anniversary of the death of Kemal Atatürk, founder of modern Turkey Reuters

Kurdish factions in northern Iraq agree peace deal

Turkey, Britain and the United States yesterday welcomed a peace deal between the dominant Kurdish factions in northern Iraq, even as Kurdish rebels killed 20 Turkish troops in an ambush in south-eastern Turkey, write **Christopher de Bellaigue and agencies in Ankara.**

The Turkish foreign ministry said its fears over the possible formation of a Kurdish state in northern Iraq had eased after Britain and the US, the peace deal's sponsors, asserted their commitment to Iraq's "territorial integrity".

The joint declaration came five days after as many as 25,000 Turkish troops struck deep into northern Iraq in pursuit of militants from the Kurdish Workers party (PKK), the separatist group.

A month ago, Ankara used the threat of military action to force Syria to stop supporting the PKK.

Turkey claims it is now pursuing 500 PKK guerrillas who crossed from Syria into Iraq.

Izmet Sezgin, Turkey's defence minister, said yesterday's ambush took place while troops were carrying out a large anti-rebel operation in the Gabar Mountain area close to the Iraqi border.

There were no immediate reports of PKK casualties.

Obuchi to raise islands dispute with Yeltsin

By John Thornhill in Moscow and Gillian Tett in Tokyo

Russian nationalists yesterday warned of a "creeping" handover of the disputed southern Kuriles islands to Japan on the eve of the first formal visit by a Japanese prime minister to Moscow for 25 years.

Keizo Obuchi, Japan's prime minister, is today expected to raise the vexed issue of sovereignty over the islands, known as the Northern territories in Japan, when he meets Boris Yeltsin, Russia's president.

But Mr Obuchi's symbolic visit, designed to highlight the improving political and economic ties between the two countries, has been shortened because of concerns over Mr Yeltsin's health. Mr Yeltsin has hardly been seen in public since contracting bronchitis on his ill-fated trip to central Asia last month.

The four islands, which were seized by Soviet forces in the dying days of the second world war, have remained a source of political tension between the two countries since 1945.

Warming relations between Tokyo and Moscow have raised hopes that the dispute might finally be resolved, hastening the conclusion of a formal peace treaty between the two countries. Senior Japanese officials yesterday hinted that Tokyo might be prepared to take a more flexible stance over the long standing territorial dispute.

Speaking in Tokyo, Akitaka Saiki, the prime minister's spokesman said: "One part cannot gain 100 per cent; nor the other lose 100 per cent – there should be something in the middle that can satisfy both sides."

Diplomatic sources suggest the two sides have discussed granting Moscow temporary administration over the islands while redrawing the Japanese border north of the islands to establish their long-term sovereignty.

The proposal marks a more moderate stance from Japan's previous insistence that it could not make any concessions over the territorial dispute.

However, Sergei Baburin, the nationalist MP and deputy chairman of Russia's lower house of parliament, yesterday forcefully objected to any deal which compromised Russian sovereignty. Regional leaders in Russia's far east also remain opposed to the islands' transfer.

Georgy Satarov, a former Kremlin adviser, said the territorial dispute stirred up such nationalist passions that it was unlikely to be solved for 50 years. "With God's help Russia will become a prosperous nation and may want to make a princely gift to a friendly nation," he said.

Duma approves economic plan

The Russian government yesterday presented to parliament its plan to tackle the country's economic crisis, winning cautious support from both Communists and centrists, reports Reuters in Moscow.

The cabinet of Yevgeny Primakov, prime minister is seeking rapid passage of the measures, which include the 1999 budget. Details of the document, laid out to a closed hearing of the State Duma, have not been made public.

Communists welcome the plan's vague outline of a greater state role in the economy and calls for a "socially-oriented" market economy.

NEWS DIGEST

GERMAN PENSIONS

Partial go-ahead for privately funded schemes

German unions and employers yesterday announced a ground-breaking agreement to allow workers in the chemicals and construction industries to have some of the first privately funded pensions in Germany.

The chemical employers' association (BAVC) said the new private scheme, which had been agreed with German insurance companies led by Allianz, the country's biggest insurer, would be an important complement to Germany's overburdened state pension system.

The voluntary scheme, which is due to come into effect next year, would be open to 590,000 workers in 1,700 companies in Germany's building, chemicals and energy industries, it said.

Germany's state pension scheme has come under pressure because of the country's ageing population. There have been calls for reform, including the introduction of a modern, privately funded pensions system.

According to the proposed scheme, employees who begin at 25 years of age with annual payments of DM936 ($555) would receive on retirement at 65 a monthly pension of between DM482 to DM1,200.
Graham Bowley, Frankfurt

EASDAQ COMPLAINT

Brussels probes Paris, Milan

The European Commission is investigating tax provisions in France and Italy which discriminate in favour of the Paris and Milan stock exchanges, it emerged yesterday. The probe follows a complaint by Easdaq, the pan-European stock exchange, that the French and Italian governments are breaking European Union rules on the free movement of services, and possibly rules on state aid.

Easdaq asked the Commission to look at reductions in tax rates offered to companies choosing to be listed on the French and Italian stock exchanges. "These provisions give a discriminatory advantage to the French and Italian markets," said Easdaq. "Such an advantage has to be extended to apply to all EU regulated stock markets, including Easdaq." France and Italy have two months to respond to the Commission's initial inquiries.
Emma Tucker, Brussels

NORWEGIAN KRONE

Currency support considered

The Norwegian government has hinted that it is considering a currency support mechanism with the European Central Bank to help stabilise the krone against the euro, the European single currency.

Such an agreement between the ECB and Norway, which remains outside the EU, would replace existing – but little used – bilateral arrangements with individual EU central banks. These allow them to intervene to support the Norwegian krone during periods of currency volatility.

Kjell Magne Bondevik, Norway's prime minister, stressed the plan would be discussed in the Norwegian parliament before any final decision was taken.

"We have a consultation forum in the Norwegian parliament and I will inform that committee about the discussions concerning an agreement with the ECB," he said. Mr Bondevik said the decision by Sweden and Iceland to rule out such an arrangement with the ECB did not preclude such a pact with Norway.
Tim Burt and Valeria Sköld, Oslo

FRENCH BROADCASTING OVERHAUL APPROVED

Reduced role for adverts on state TV

By Robert Graham in Paris

The role of advertising in France's public television will be sharply reduced in an overhaul of the country's four state-run channels, following a decision by the cabinet yesterday.

Advertising slots will be cut to five minutes per hour from the current ceiling of 12 minutes. Based on 1997 accounts, this would lead to a loss of some FFr2.2bn ($394m) a year in advertising revenue, to be made up by government funding rather than any increase in television licence fees.

The move was approved at the weekly cabinet meeting and is part of a broader shake-up of France's public television networks, which will bring France 2, France 3, La Cinquième and Arte into a single broadcasting group.

The idea of cutting advertising slots has been pushed by Lionel Jospin, prime minister, who felt state-owned television had become more dependent upon this source of revenue than was proper for a public service.

Critics say the advertising cut-back will produce a windfall for TF1, the main "generalist" channel, which is 39 per cent owned by the Bouygues conglomerate, which has interests from construction to telecoms. TF1 has a 35 per cent share of the national audience, compared to 23 per cent held by France 2, the principal public television rival.

Catherine Trautmann, culture minister, denied in an interview with the daily Le Monde yesterday that the government was providing a bonanza for private channels.

"TF1 obviously would like to pick up a sizeable part of this [advertising], but some of this may not be redeployed and other bits may well go to radio and the print media," she said. She also indicated the government would be looking at some sort of tax on private television to help fund the production of programmes.

At present, 48 per cent of France 2's FFr5.1bn in receipts comes from advertising. Of the rest, 47 per cent comes from licence fees. At France 3, which has a regional emphasis, licence fees account for 60 per cent of its FFr5.6bn revenues and advertising only 30 per cent. The other two channels, whose programmes are mainly cultural and educational, are funded almost exclusively through licence fees. These cost Ffr744 per television set, slightly less than in Britain

The government hopes to cut costs by creating a single broadcasting corporation while also generating revenue from new services, which it has been slow to develop.

The new broadcasting group will be run by a 12-person board, whose appointment will be largely political.

There have been eight broadcasting laws in 26 years.

Italy finalises electricity competition decree

By James Blitz in Rome

The Italian cabinet last night finalised a decree that will open the country's electricity market to competition early next century.

The decree, however, fell short of demands for a "strong break-up" of the grip which Enel, the state-owned electricity monopoly, has on the Italian market and the transmission grid is to remain in Enel's hands.

The new decree – one of the first big decisions taken by the government of Massimo D'Alema, prime minister, aims to meet the requirements of the European Union directive on electricity liberalisation. This demands that plans for opening up electricity markets must be in place by February 19 next year.

The decree issued last night forsees opening 30 per cent of the market to competition next year. Companies which have a minimum of 30m kilowatts of electricity consumption per hour will be free to choose their energy providers.

Enel is 100 per cent owned by the Italian Treasury and has long been seen as the next big industry ripe for privatisation, following the sale of the state telecom network and the gradual sale of shares in Eni, the oil and gas conglomerate.

But Mr D'Alema earlier this week said Enel must first be exposed to a "progressive liberalisation," stressing that its rapid privatisation would not be in the public interest. Last night's decree says nothing about privatisation. Even if a decision is taken at a later date, political objections to a public offer of Enel shares could be strong. The communists supporting Mr D'Alema's government remain opposed to such a move.

The new decree follows a long-running battle between Pier Luigi Bersani, industry minister, and Pippo Ranci, the regulator in charge of Italy's independent electricity authority.

Mr Ranci has demanded that the transmission grid should be removed from the control of Enel and owned by an independent body. But the decree states that a new management company running the grid would "not be the owner of the network."

The speed with which production should be opened up to competition has also been in dispute. The regulator has demanded that no one company should be allowed to control more than 50 per cent of Italian electricity generation by 2001. The decree stated that competition in production would only begin from January 1, 2003, reducing to the 50 per cent figure by that date.

The cabinet's draft decree will need to be ratified by parliament before liberalisation of the market can proceed.

Travel misery in the Eternal City

By James Blitz

Rome, the Eternal City, has become the city of the eternal wait.

In a place that already has inadequate public transport, taxi drivers were yesterday enduring the third week of a strike that has caused misery at the airports and seen Gucci-shod executives tramping unhappily to work.

The misery only begins on Rome's pavements. Italy is this week suffering the worst spate of transport strikes it has seen in years. Yesterday, it was the ground staff at Milan's ill-fated Malpensa airport who walked out. On Friday, station masters in Milan's underground railway will be off work. Next week, Rome's bus drivers are set to protest: they are being asked to work an extra 10 minutes a day.

But nowhere is the tension between management and unions more bitter, and more telling, than in the strike by the taxi drivers which is to continue at least until tomorrow.

The reason for the strike is that Francesco Rutelli, the city's young and ambitious mayor, wants to liberalise and improve the service.

Rome is a city of 3m people, visited by a 13m tourists each year. But the taxi business is so fiercely protected by unions that there can only be 3,000 taxis on the streets of the capital at any one time. While there is one taxi for every 126 Parisians, there is one taxi for every 456 Romans.

Mr Rutelli, a centre-left politician re-elected mayor with a considerable majority last year, wants to put more taxis on the streets. That would increase competition for those already in the trade. Yesterday, he refused to back down in the face of a strike that he called "unjustifiable, aggressive and sometimes violent".

The dispute might seem parochial, but Miriam Mafai, arespected commentator, wrote this week in the left-leaning La Repubblica that the strike, by what she described as one of the "many cartels that dominate the capital", went to the heart of Italy's troubles.

"What is coming to light in this case is the sheer difficulty of carrying out reforms in any sector that involves the principle of competition and the opening up of markets," she wrote. "There is a tenacious resistance to any attempt at change and an instinctive objection to any move towards flexibility."

A taxi driver on strike in Rome's Piazza Venezia yesterday Reuters

Dutch plan short euro overlap

By Gordon Cramb in Amsterdam

The Netherlands intends to remove the guilder from circulation four weeks at most after the arrival of euro notes and coins in 2002 – among the shortest overlap periods being planned in the single currency zone.

Among the few other countries to have set a target for phasing out the national currency, Germany late last month proposed a two-month interval in which cash transactions could take place in both the D-Mark and the euro.

Rules for European monetary union allow each of the 11 participating member states to decide how soon to remove its existing currency from circulation within the first half of 2002. The euro becomes legal tender on January 1 that year.

A Dutch national forum for the introduction of the euro, grouping government, business and trade unions, decided on Monday night that four weeks should be the maximum. Gerrit Zalm, finance minister, is expected to adopt this advice and submit it to the cabinet by the end of this year.

It will then go to parliament, where deputies have been pressing for an even swifter changeover, possibly a one-day "big bang". That is the option favoured by the country's retail industry, representatives of which boycotted the meeting of the forum after Nout Wellink, central bank governor, last week came out in favour of the four-week solution.

Retailers fear that dual pricing of goods, with payments allowed in either currency, will mean chaos at the checkout. Cees van der Hoeven, president of Ahold, the country's biggest stores group, said: "We are still striving for changeover in one day, and I still think it is achievable."

Some economists believe the European Commission will come under increasing pressure in the next three years to seek a harmonisation of dates by which national currencies will cease to be legal tender in shops.

Swiss directors top pay table

By Richard Donkin

Scandinavian directors are underpaid compared with the earnings of British executives when tax rates and cost of living expenses are taken into account, according to a new report.

Swiss directors are rated the best paid relative to British directors' earnings, followed by those in Spain, Austria and Germany.

The report, from the Monks Partnership pay consultants, is based on a comparison of the pay of directors and senior managers in 2,000 subsidiary companies with turnovers of about £50m ($83m).

The comparison is designed to give an indication of the disposable income of directors in 16 countries relative to that of a British director.

Monks says that spreads of between 10 to 15 per cent should not be considered significant, meaning that the pay of directors in the UK, Belgium, Ireland, the Netherlands, Greece, France and Portugal is broadly similar.

The study looks only at cash remuneration. Other elements of the remuneration package, such as pensions and share options, are not included in the comparison.

Remuneration of Directors and Managers – Europe, is published by Monks Partnership, The Mill House, Wendens Ambo, Saffron Walden, Essex, £425, tel +44 01799 542 223

European directors' pay relative to UK

	£'000	As % UK pay
Switzerland	76.6	171.4
Spain	66.1	147.8
Austria	60.4	135.1
Germany	58.6	131.1
Italy	50.9	113.9
Portugal	49.8	111.4
France	49.8	111.4
Greece	47.8	106.9
Netherlands	47.1	105.4
Ireland	45.2	101.1
UK subsidiary	44.7	100.0
Belgium	43.1	96.4
Denmark	35.7	79.9
Norway	34.2	76.5
Sweden	33.7	75.4
Finland	29.7	66.4

Source: Monks Partnership

IRAQ AND THE UN SADDAM LOSES SUPPORT THROUGH BREACH OF FEBRUARY DEAL WITH ANNAN

US believes security council will take tougher line

By Stephen Fidler in Washington

In the latest development in what has become a familiar pattern of events, President Bill Clinton was yesterday meeting senior advisers to discuss his military and diplomatic options in Iraq.

As usual, the military choices posed by Saddam Hussein's challenge to United Nations resolutions aimed at rooting out his ability to produce weapons of mass destruction are unattractive. But if a military strike is not authorised, the US risks being pictured as helpless.

The US "must avoid the Scylla of appearing arrogant and the Charybdis of appearing ineffectual," says Patrick Clawson of the Washington Institute for Near East Policy.

Washington argues that Saddam has fewer backers than in the past. By creating a yet another showdown, Mr Saddam has weakened his support among the more sympathetic permanent members of the UN Security Council: France, Russia and China. They had been hoping that compliance with the memorandum of understanding worked out by Kofi Annan, the UN secretary general in February, would open the way to a partial lifting of sanctions. That option seems now closed off.

US officials also say there is growing frustration too among Arab leaders in the Gulf region with the Iraqi leader and quiet, if not public, support for their efforts to force him to comply with UN resolutions. However, the extent to which this support would be extended after military action – which would almost certainly provoke a public outcry in the Arab world – is open to question.

It is also clear that Mr Clinton is stronger at home following last week's mid-term elections. Any decision he takes to use force is less likely to be interpreted as the actions of weak leader seeking popular support.

However, US officials said yesterday a diplomatic solution was still the preferred option. Nonetheless, there was only one possible outcome from the stand-off. "Saddam Hussein has painted himself into a corner... One thing is clear: that there is no other way out of this for Saddam but to back down," said a state department official.

Some analysts argue that the US made such a confrontation more likely by insisting in late October that a comprehensive review of sanctions on Iraq could only take place if Iraq complied with all relevant resolutions of the UN Security Council – not just those relating to weapons inspections.

Russia, France and China had proposed a lifting of the oil embargo if Iraq complied with the weapons inspection requirements, as stipulated in paragraph 22 of resolution 687 in 1991. But the US demand meant that consideration of lifting sanctions would only take place if other resolutions, for example, also accounting for missing Kuwaiti prisoners and property, were complied with. This gave Iraq little hope that sanctions could be lifted soon.

If it chooses to use military force, the US has two broad options: it could use its existing forces in the region and strike soon, or delay military action, move more firepower into the region and deliver a harder blow to the Iraqi leader.

The use of existing forces suggests a launch of ship-borne cruise missiles against Iraq, the drawback being that it would be difficult to deliver a blow – even if directed against his Republican Guard or his home base of Tikrit – that would harm Saddam more than it harmed people on the ground. And even a more forceful, costly and risky intervention after a military build-up could not be counted on to bring down the Iraqi leader.

Which leaves the question about what would happen after force was used. Some US administration officials believe that arms inspections would, in this case, be a dead letter. Mr Clawson argues: "It would be wise to develop back-up plans about weapons of mass destruction that do not rely on inspections, including at least a strong deterrent structure to convince Saddam that he would face the severest consequences were he found to possess [such weapons]."

The US has been careful to set no public deadlines. But a number of factors may influence a US decision, including the onset of the Moslem fasting month of Ramadan in mid-December.

Olmert set to cement power base

By Judy Dempsey in Jerusalem

Ehud Olmert, mayor of Jerusalem, was yesterday heading for a landslide victory in elections which could boost his attempt to be the next prime minister for the right-wing Likud party.

Although the elections are local, their outcome will reflect the increasing fragmentation in Israeli politics, with traditional Labour-Likud divisions being replaced by religious and independent movements in some of the 161 municipalities. They could also reveal the strength of two parties: Yisrael Ba'Aliya, the Russian immigrant party led by Natan Sharansky, and Shas, the ultra-Orthodox party led by Aryeh Deri.

In Jerusalem, the ultra-Orthodox were out in force amid repeated warnings by the interior ministry of possible vote-rigging, as the religious parties sought to strengthen their presence on the powerful city council.

A last-minute alliance between Mr Olmert and the ultra-Orthodox population catapulted him to power in 1993, ending the long reign of Labour's Teddy Kollek. Since then, Mr Olmert has expanded new Jewish settlements in Arab East Jerusalem and has backed construction of a ring road around the city which will sever links between the West Bank and East Jerusalem.

Faisal Husseini, the Palestine Liberation Organisation's representative in Jerusalem, said the elections were illegal because Israel's annexation of east Jerusalem in 1967 was illegal. The PLO called on Palestinians to boycott the poll but Musa Ilayan insisted on contesting a seat, becoming the first Palestinian to do so.

Outside Jerusalem, attempts were under way to redraw the political map, with the Russians trying for the first time to carve out a local base in bastions of power traditionally held by the Sephardi, or Oriental Jews.

However, the most important shift in voting patterns could involve Shas and the National Religious party. Once a moderate religious Zionist party, the NRP has moved sharply to the right, focusing increasingly on the settlements, built in the West Bank after 1967. In doing so, it started losing support inside Israel's pre-1967 borders.

Shas, founded in the early 1980s, is slowly filling some of the vacuum left by the NRP, particularly in education. At the same time, it is tapping into disaffected blue-collar Likud voters by providing religious and social services.

Abacha family 'returns $750m'

The family of Nigeria's late dictator, Sani Abacha, has handed back to the government more than $750m in state funds illegally amassed by the former leader, a government spokesman said, AP reports from Abuja.

The money – including about $625m, £75m and $3m worth of Nigerian naira – has been deposited into a special account at the Central Bank of Nigeria, Mohammed Haruna, a government spokesman, told reporters.

During his five-year military dictatorship, Abacha diverted hundreds of millions of dollars in government funds to his personal accounts. Since his death in June, Abacha's family has returned vast sums of money.

Although accustomed to military rule and conflict, Nigeria suffered enormously under Abacha, whose leadership was marked by divisive policies, endemic and institutionalised corruption and brutal repression.

Abacha was replaced by another military leader, General Abdulsalami Abubakar, who has vowed to hand power over to an elected civilian government. Gen Abubakar has been working to free political prisoners and redress the financial mismanagement that marked Abacha's tenure.

● Employees stayed away and armed police guarded the Lagos headquarters of Royal Dutch/Shell's Nigerian oil producing unit yesterday, the anniversary of the 1995 hanging of nine Ogoni activists. Reuters adds from Lagos.

Drug companies try to get shot of bad guy image

Pfizer is donating $60m of its drugs to eliminate trachoma in five countries – the latest group to turn its attention to the developing world. David Pilling reports

When people think of pharmaceutical companies, one of the most profitable beasts in the corporate jungle, the word "philanthropy" rarely springs to mind.

Considering their line of business – making medicines to prevent and cure diseases – drug groups get a surprisingly bad press.

A common complaint is that companies, answering to their shareholders rather than their conscience, only develop drugs for which there is a lucrative market. That rarely means developing countries. Campaigners accuse them of killing off promising, but unprofitable, treatments in the lab.

One way companies have found of countering such scepticism is by sponsoring programmes such as the anti-trachoma initiative being launched by Pfizer today. Pfizer, the US company best known for its anti-impotence drug Viagra, is donating $60m of Zithromax, a long-acting oral antibiotic, to help eliminate the world's leading cause of preventable blindness.

Virtually eradicated in the west, trachoma, a bacterial infection of the upper eyelid, affects 150m people in areas of the developing world with bad hygiene and poor access to clean water.

Like many drug companies' forays into the third world, Pfizer's initiative arose as much by luck as by design. Several years ago, researchers at the London School of Hygiene and Tropical Medicine became interested in Zithromax after reading about its use against the genital form of chlamydia (a common condition in the west) to which trachoma is related. Trials in Morocco subsequently proved the effectiveness of a single dose of Zithromax in preventing the spread of trachoma.

The eradication programme, due to be launched early next year in Morocco, Mali, Ghana, Tanzania and Vietnam, has been developed with the Clark Foundation, a US charity. The aim is to avoid some of the pitfalls of similar projects, whose impact has often failed to outlast the initial blitz.

They plan to adopt a broad strategy involving simple surgery, antibiotics and education – particularly about the effectiveness of hygiene in preventing trachoma. Health experts say that without adequate infrastructure and a well designed programme, drug donations can do more harm than good.

Joseph Cook of the Clark Foundation praised Pfizer, saying the project could never have got off the ground without its help. He denied it was a token effort, pointing to the size of Pfizer's donation and its commitment to extend the programme if early results were encouraging.

Philippa Saunders, manager of the Essential Drugs Project, which lobbies for third world access to drugs, said Pfizer's initiative was part of a growing trend. Investors' desire for ethical investments and strong leadership from Gro Harlem Bründtland, director-general of the World Health Organisation, were encouraging companies to make drugs available, she said.

A Moroccan infant receives a dose of Pfizer's anti-trachoma drug

Ms Saunders said that while drug companies could be questioned over their pricing policies, one should recognise those which were trying to do good. She singled out Merck's 11-year programme to eradicate onchocerciasis, or river blindness, through donations of ivermectin, a drug developed to kill parasites in pets and farm animals. Like Zithromax, ivermectin was not developed specifically for use in the developing world, but was found to be effective against river blindness after a researcher made a link between its effect in horses and in humans.

Trachoma worldwide: Dark grey spots indicate widespread incidence and lighter areas show pockets of the disease

Last week, Merck extended its programme to include lymphatic filariasis, commonly known as elephantiasis. SmithKline Beecham (SB), the UK drugs company, this year also launched a big effort in conjunction with the WHO to eliminate elephantiasis with donations of albendazole. SB said its programme was "one of the largest global disease elimination programmes ever undertaken".

Merck, which has treated more than 20m people against river blindness, said of its drug-donation policy: "Clearly, as a public corporation we have to take several factors into consideration. We can't donate every product even when there is a need. But where there are opportunities to have an impact in countries where health budgets are [inadequate], we've made an effort to meet that need."

The chief executive of one European pharmaceuticals company admitted privately that the industry faced a dilemma. No company could afford to spend the $500m and 10 years needed to develop a drug without being confident of a hefty financial return, he said. Few drugs, therefore, were pursued with the developing world in mind.

On the other hand, if a company stumbled upon a treatment for a third world scourge, it was morally obliged to make it available.

WORLD POVERTY REPORT ARGUES THAT EXTRA $10BN OF AID COULD LIFT 25m PEOPLE OUT OF NEED

Bank seeks to target 'deserving poor'

By Andrew Balls in London

A $10bn annual increase in aid would take an extra 25m people a year out of poverty if it was targeted at poor countries with sound policies, according to a report published yesterday by the World Bank.

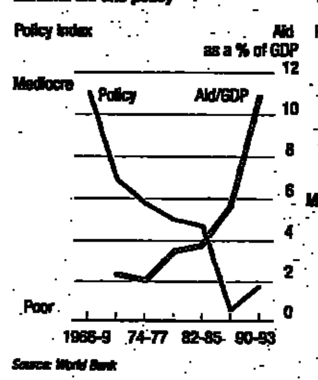
It argues that aid should not be spread across the board and says that under current distribution patterns an extra $10bn would lift only 7m people out of poverty. The report says that donor counties could do a better job of allocating aid, focusing a larger amount on poor countries with sound policies.

"This may sound like common sense. But in aggregate, donors are not taking advantage of the common sense," said David Dollar, a lead author of the report.

The wave of reform in developing countries in the 1990s means that three-quarters of the 2bn people affected by "absolute poverty" lived in countries where aid could help lift them out of poverty.

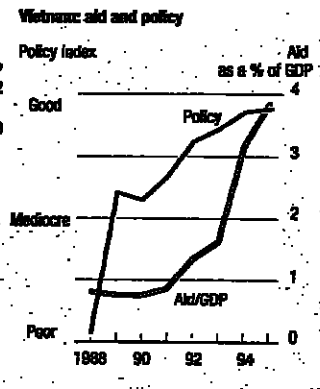
However, the generosity of rich countries had declined and last year foreign aid represented just 0.22 per cent of donor countries output, the lowest level since the second world war. In real terms, financial aid for reform in poor countries had fallen a third since 1990, says the report which deals with development assistance rather than humanitarian aid.

Zambia: aid and policy

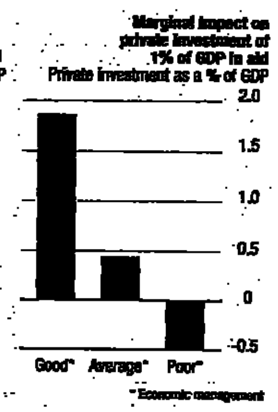


Source: World Bank

Vietnam: aid and policy



Marginal impact on private investment of 1% of GDP in aid



"It is ironic and tragic that the volume of aid is declining just as the environment for effective aid is improving," said Mr Dollar.

The study uses a broad definition of sound policies and institutions that closely correlates with economic growth and poverty reduction. The list includes open trade, secure property rights, rule of law, social safety nets and stable macroeconomic and financial polices.

In countries with sound economic management and policies, 1 per cent of gross domestic product in aid translates into a 1 per cent decline in poverty and a 0.5 per cent increase in GDP.

In countries where management and institutions are better than the average, including Bolivia, China, Ethiopia, Honduras, India, and Uganda, aid also helps to "crowd in" foreign investment.

A dollar of foreign aid attracts two dollars of foreign investment, because it increases confidence in the private sector, and helps provide the public services that investors need, the report argues.

But aid tends to taper out with reform, when – if poverty reduction is the target – it should taper in. Donors see that countries are improving and start turning attention to poorer countries. This amounts to crying victory too early, the report says.

In countries with poor policies, large financial flows have had little effect. In Zambia, a series of structural adjustment loans from the World Bank and the International Monetary Fund between 1970–90, coincidedwith a deterioration in policy.

Moreover, the report sounds a sceptical note on hopes that targeting aid can overcome an inadequate policy and institutional environment, by ear–marking assistance to specific activities, such as health and education.

Aid, it says, is "fungible" – if donors funded particular services such as schools or rural roads – this frees up the government to use the money that it would have spent on these items for other priorities. For every one dollar of assistance targeted to rural development, for example, rural spending is raised by just 11 cents. This is not only the result of corruption, the report says.

The report finds no evidence to show that aid prompts reform by poor performers. Thus, aid should not go to countries with bad policies.

This is likely to create controversy within the World Bank, since its shareholders like to favour certain countries with which they have colonial ties.

However, aid is more than just money, the report says. Even if countries lack the polices and institutions to make use of large financial flows, aid agencies can still help foster a climate for successful reform.

Aid can take the form of ideas, knowledge–transfer, advice on appropriate policies and technical assistance, all aimed at creating a domestic movement for reform. The report points to the example of Vietnam. Prior to 1986, a large volume of financial aid had no impact on an environment of distorted institutions and policies.

The impetus for reform in Vietnam came from the success of its neighbours. Aid from multilateral institutions helped policymakers learn about its neighbours' economic policies, developed management capabilities and offered technical advice.

Between 1989 and 1993 Vietnam received only a small amount of financial aid. Large-scale financial assistance did not arrive until 1994, by which time the policies and institutions were in place to make good use of the money, the report says.

Assessing Aid: What Works, What Doesn't, and Why. Published by Oxford University Press for the World Bank, telephone 01865–267-191. Available on the internet: http://www.worldbank.org/research/aid/

Martin Wolf, Page 12

Business grapples with climate change

By Vanessa Houlder in Buenos Aires

A year ago, many US businesses rejected the idea that there was a need for any action on climate change. Now, as diplomats gather in Buenos Aires for climate change negotiations, the emphasis of some prominent companies – including car, oil and chemical businesses – is on how to deal with it.

"The momentum has shifted to companies that accept the science. There is no question about it," says Eileen Claussen, executive director of the Pew Centre on Global Climate Change. This organisation, which is calling for US leadership on the issue of climate change, was established in May with members that include Air Products and Chemicals, Baxter International, Boeing, Enron and 3M.

The Buenos Aires meeting is an attempt at fleshing out the treaty agreed last December in Kyoto, Japan, at which developed countries made a legally binding agreement to cut back their emissions of greenhouse gases from 1990 levels by 2010.

"There is clearly a move. Companies are really thinking hard about what all this means," says Paul Faeth, programme director of the World Resources Institute, an environmental think-tank that has teamed up with General Motors, Monsanto and British Petroleum in a collaboration called Safe Climate, Sound Business (SCSB).

The SCSB argues that there is no inherent conflict between economic development and a healthy environment. "For proactive leaders there are major business opportunities in meeting the climate change, if the policy environment is right," it says.

The SCSB initiative states that "climate change is a cause for concern and precautionary action is justified now". But, among its members there are a wide range of views.

BP, for example, has set itself an internal target of cutting greenhouse gas emissions by 10 per cent by 2010, exceeding the Kyoto average. GM, however, is opposed to the Kyoto protocol and remains a member of the Global Climate Coalition (GCC), a vociferous opponent of taking action on stabilising greenhouse gas emissions on present scientific evidence.

GM argues: "We engage in dialogue with groups that have differing points of view in order to learn and to contribute to the discussions." Unless it participates in the debate on climate change, GM fears that "command-and-control" regulations would be imposed on it.

One of the main goals of groups such as Pew and SCSB is to influence policy. The Pew Group, for example, is pressing for congressional legislation on a domestic "early action" programme that will ensure that companies get credit for greenhouse gas reductions before an international framework is in place.

But companies are also mindful of the impact that membership of these organisations has on their public image. For multinational companies, this can present a difficult dilemma, since attitudes of customers differ across the world.

The GCC has dismissed the launch of groups such as Pew and SBSC as an exercise in public relations. "Pew and SCSB are viewed as progressive and constructive. But, with some exceptions, there is no difference between what we say and what they say," says William O'Keefe, former chairman of the GCC.

"A lot of people are trying to create a false momentum by saying that American business is now taking climate change seriously," he says.

For once, many environments would agree with Mr O'Keefe. The greening of American boardrooms will be demonstrated by deeds and not words. But as Mr Faeth of WRI argues, sooner or later there will be action on the climate because "companies have a responsibility to shareholders" to be ready for it.

SFE plans greenhouse gas contracts, Page 24

EU-US TRADE CONFLICT ROOTS OF DISPUTE LIE IN CLASH OF INTEREST BETWEEN US MULTINATIONALS AND CARIBBEAN GROWERS

Bananas battle goes to the brink

By Guy de Jonquières

Why is the US, which grows almost no bananas, threatening a trade war with the European Union over its arrangements for importing the fruit? And why is the EU, normally so keen to accuse the US of seeking to "manage" trade with other countries, determined to defend its own right to do so in this case?

The explanation dates back to July 1993, when the European Union sought to complete its internal market by introducing a single banana import regime. This limited its total imports and segregated volumes between fruit from African, Caribbean and Pacific (ACP) countries and "dollar" bananas from central America.

The regime aimed to unify a patchwork of national policies. Until then, Britain and France had given preferential access to imports from their former colonies in the ACP region. Other countries, including Germany, the Netherlands and Sweden, where consumers prefer "dollar" fruit, allowed unrestricted trade.

The new policy, agreed after much internal EU dissent, enraged leading US distributors of "dollar" bananas, such as Chiquita Brands and Dole. Its introduction coincided with a slump in their profits, caused partly by their decision to step up production in the apparent belief that European was about to open its market completely.

The US twice complained to the old General Agreement on Tariffs and Trade that the regime violated world trade rules. The EU was able to use the Gatt's elastic procedures to deflect the complaint. But a third US challenge, under the stricter procedures of the World Trade Organisation, the Gatt's successor, was more successful.

The WTO's appellate body, its final tribunal in trade disputes, found against the banana regime last year. The EU was given until next January to comply with the decision, or face the threat of legal trade retaliation by the US and central American banana producers.

The EU is in the process of amending the regime. However, the US says its revised policy does not comply with the WTO ruling. US banana distributors, led by Chiquita, say the new arrangement will give them no better access to the EU market than the old one.

Last month, the White House announced plans to put pressure on the EU by drawing up unilateral sanctions on European exports. It acted in order to stop Congress from passing sanctions legislation of its own, after intensive lobbying by Carl Lindner, the politically well-connected head of Chiquita.

Some observers thought the White House threat was designed to stave off political embarrassment before last week's congressional elections, and would soon be dropped. Instead, the US has toughened its stance, rebuffing EU demands to shelve plans for unilateral sanctions, which Brussels says would breach WTO rules.

Brussels insists it is complying with the WTO ruling by adjusting the way its banana regime is managed. Officials say the new regime may give US distributors a bigger market share, though that is not specifically required by the WTO ruling.

The EU says that opening its market further, as the US wants, would undermine the purpose of the regime. It would enable competition from "dollar" bananas to drive out much more expensive fruit from the ACP countries, which the EU's import arrangements are intended to protect.

The EU says its freedom to protect its banana market is authorised by a WTO waiver of the Lomé convention, under which it grants trade preferences to ACP countries. Furthermore, the European Court of Justice has upheld the legality of the regime.

However, EU officials also admit that the WTO ruling is somewhat vague and open to several interpretations. But they say the US should seek to resolve the dispute by asking the WTO to clarify the judgment, not by threatening to take the law into its own hands by imposing unilateral sanctions.

The US, in turn, claims it is acting within its rights, after enduring years of frustration because of the EU's determination to stick by its controversial regime.

Editorial comment, Page 13

Banana processing in Costa Rica. The EU says the US is taking the law in its own hands by retaliating against a controversial regime

FOREIGN DIRECT INVESTMENT WORLDWIDE FIGURE TO REACH $430bn

Flow of capital rising despite regional crises

By Guy de Jonquières and Quentin Peel

Worldwide foreign direct investment flows are likely to rise to about $430bn this year, despite slower global growth and regional economic difficulties, according to the United Nations Conference on Trade and Development.

The forecast compares with record inflows last year of $400bn and outflows of $424bn. Continued expansion of FDI would be driven by mergers and acquisitions – which accounted for 60 per cent of last year's inflows – privatisation and liberalisation.

However, Unctad expects the pattern of flows to change this year. It says industrialised economies, Latin America and eastern and central Europe will probably account for most of the growth in FDI.

According to Unctad's latest estimates (the report was compiled before the Russian financial crisis in August), direct investment flows into developing countries are expected to decline for the first time since 1985, from the 1997 level of $149bn.

Inflows into China are expected to decline from $45bn in 1997 to around $40bn this year, and into Indonesia, to drop from $4.7bn to just $1.9bn, because of the sharp downturn in economic activity there.

Both Malaysia and the Philippines are expected to be marginally affected by the Asian financial crisis, with FDI forecast to fall from $3.8bn to $3.6bn in the former, and from $1.3bn to $1.1bn in the latter. But South Korea and Thailand have both been bolstered by inflows for privatisation investments, with Korea up from $3.1bn to an expected $4.7bn, and Thailand from $3.6bn to $5.9bn.

Africa is expected to maintain its FDI inflow at $5bn, while Latin America could show an increase, largely thanks to privatisation investment in Brazil, up from $16bn in 1997 to $22bn this year.

Although Unctad expresses confidence in the longer-term outlook for Asia, the region's economic difficulties coincide with what the report identifies as underlying shifts in the forces shaping foreign investment decisions.

It says geographic location, low costs and home market size are becoming less important, as companies integrate production across borders. Instead, decisions increasingly depended on the access to technology and capacity for innovation which countries were able to offer.

That trend put growing pressure on host countries to pursue more sophisticated and flexible policies which aimed to attract multinational companies by creating a diverse range of resources that could enhance their competitiveness.

The report says countries' success in meeting these criteria will have more influence on their ability to capture inward FDI than would subscribing to proposed agreements that aimed to create rules for the treatment of FDI.

Such agreements – the best known of which, the Multilateral Agreement on Investment, is under negotiation in the Organisation for Economic Co-operation Development – would be unlikely to stimulate increased FDI unless they involved substantial liberalisation.

The report also analyses changes in the ranking and investments of the 100 biggest transnational corporations (TNCs), with General Electric of the US overtaking Shell, the Anglo-Dutch oil company, as the largest by foreign assets.

The figures show a continuing growth in the trend towards "trans-nationality", with steady increases in their foreign assets, sales and numbers of employees.

The US, EU and Japan account for 85 of the top 100 TNCs, compared with 86 in 1990.

World Investment Report 1998. UN Publications Offices, New York: Tel: 212-963 8302, fax: 963 3489, e-mail: publications@un.org. Geneva: Tel: 4122-917 1234, fax: 917 0123, e-mail: unpubli@unorg.ch.

Selected indicators of FDI and international production, 1986-1997

Item	Value at current prices ($bn) 1996	1997	Annual growth rate (%) 1986-1990	1991-1995	1996	1997
FDI inflows	338	400	23.6	20.1	1.9	18.6
FDI outflows	333	424	27.1	15.1	-0.5	27.1
Cross-border M&As*	163	236	21.0	30.2	15.5	45.2

*Majority-held investments only

Regional distribution of FDI inflows and outflows, 1994-1997

Region/country	Inflows (%) 1994	1995	1996	1997	Outflows (%) 1994	1995	1996	1997
Developed countries	58.2	63.9	57.9	58.2	85.0	86.9	85.1	84.8
Western Europe	32.3	37.1	29.6	28.7	47.0	49.4	50.6	46.2
US	18.6	17.7	22.6	22.7	25.8	26.1	22.5	27.0
Japan	0.4	-	0.1	0.8	6.4	6.4	7.0	6.1
All developing countries	39.3	31.9	38.5	37.2	15.0	12.9	14.8	14.4

Source: Unctad

FDI BRITAIN CAPTURES $37bn

UK takes lion's share in Europe

By Guy de Jonquières

Britain was last year by far the most popular location for foreign direct investment (FDI) in the European Union, capturing more than a third of all inflows, according to the United Nations Conference on Trade and Development.

Its report says overseas direct investment in Britain rose to $36.9bn, or 34 per cent of inflows into EU countries, while inward FDI into France and Germany fell. In 1996, UK inflows of $26bn were 28 per cent of the EU total.

Britain was again the world's third largest recipient of FDI, after the US and China, with about 9 per cent of total inflows. But outflows from the UK grew even faster, to $58.2bn from $34.1bn in 1996, making it the second largest investor abroad, after the US.

The figures appear to reaffirm Britain's position as one of the world's most popular locations for FDI, despite concern this year about retrenchments in the UK by foreign companies, including Fujitsu of Japan, Siemens of Germany and Samsung of South Korea.

Unctad attributes Britain's performance mainly to its robust growth last year and to foreign investors' approval of its economic policies and labour market reforms.

However, the report says the high level of UK inflows may also reflect competitive weaknesses which have made industries, such as car manufacturing, vulnerable to foreign takeover.

Inward FDI in France, the EU's second most popular location, fell $3.7bn to $18.3bn, while Germany suffered negative inflows for the second consecutive year. Inflows in Austria, Belgium and Luxembourg also dropped sharply.

Finland, Ireland, the Netherlands and Sweden recorded big increases last year. Total inflows into the EU recovered to $108.2bn, after falling sharply the previous year, but were still well below their 1995 peak.

More than half the EU's recorded inflows came from member countries. The report says that if these are left out of account, the US, rather than the EU, was the world's biggest recipient of FDI in most years since 1980.

EU steelmakers to complain about dumping

By Neil Buckley in Brussels

European Union steelmakers are set to launch dumping complaints over steel imports from up to eight Asian, African and eastern European countries – mirroring demands from US counterparts for action to stem a flood of cheap imports.

Eurofer, the European Confederation of Iron and Steel Industries, will issue formal complaints to the European Commission next week over hot-rolled coil from Bulgaria, India, Iran, Serbia, South Africa and Taiwan, and possibly also South Korea and Indonesia.

This first wave is likely to be followed by further complaints on products such as cold-rolled and coated steel, which could take in countries including China and Turkey.

US steelmakers, led by USX-Steel and Bethlehem Steel, and backed by the United Steelworkers of America union, are already pressing the US administration to take anti-dumping measures against Brazil, Russia and Japan.

But any moves by Brussels on steel could create friction with the US, which has called for the EU to absorb more imports, in an effort to boost global growth.

Al Gore, US vice-president, and William Daley, commerce secretary, reiterated that message at last week's Transatlantic Business Dialogue meeting of EU and US business leaders and policy makers in North Carolina. Mr Daley warned that the EU risked triggering a protectionist backlash in the US unless it opened its market wider to Asian imports.

Sir Leon Brittan, EU trade commissioner, insists that the EU is fulfilling its responsibilities, arguing that although Asian imports to Europe are smaller than those to the US, they are rising faster.

He said yesterday any dumping complaints would be treated according to international rules. "There is no question of using [them] as a protectionist tool. . . We will handle them in the normal way," he said.

Eurofer says total steel imports to the EU have increased more than 70 per cent this year. Imports from Asia alone increased more than seven-fold.

While it recognises that proving goods are being sold below-cost is more difficult in a climate of currency devaluations and worldwide price falls, the industry group insists it has "incontrovertible evidence".

"We want to avoid the accusations [of protectionism] that we ourselves have made against the Americans," said Gordon Moffat, Eurofer director. "We want to focus mostly on the countries that are the worst practitioners, so we are limiting it to six to eight countries."

Mr Moffat insisted any investigation would not be affected by the fact that six European producers were fined Ecu27.4m ($32.1m) in January for operating a price-fixing cartel on stainless steel flat products.

That is being used as an argument in EU deliberations over whether to impose five-year anti-subsidy and anti-dumping duties on stainless steel bars from India. The European Commission imposed temporary duties in the summer.

A majority of the 15 EU states have backed anti-subsidy duties, but they are split on dumping measures. Opponents, and India, say that since EU bar prices were calculated according to a similar formula to that used by the cartel members for flat products, it is impossible to prove dumping.

NEWS DIGEST

DUMPING CASE THREATENED

Cheap Chinese apple imports upset US growers

The US Apple Association met yesterday to explore filing an anti-dumping case against cheap imported apples and apple juice concentrate. The growers are particularly concerned about what they say is a flood of apples from China which undercut domestic prices by more than 50 per cent. Orchard owners complain that the market is so saturated with imports that it is not worth picking their harvest. The 9,000-strong association is considering naming China, Chile, Hungary and Argentina in any suit they might file to the US commerce department. US growers would have to show they are being damaged by the lower priced imports to justify their case.

The case could also include concentrate, used in many fruit drinks. The world market price for apple concentrate is $20 a ton, while that from a US processor costs $25 to $30 a ton. **International Staff**

ARGENTINE LEATHER

EU to file WTO complaint

The European Union plans to file a World Trade Organisation case against Argentina's barriers to trade in leather and raw hide. Brussels is asking for WTO consultations, the first step in the disputes procedure which could lead to a panel being set up to rule on the complaint.

The EU says Argentina maintains a tacit export ban on raw bovine hides and imposes discriminatory taxes on imports of leather goods, in violation of WTO fair trade rules. This is the fourth WTO complaint in a year brought by Brussels against alleged unfair trade practices in the leather industry.

The others relate to hide export bans by India and Pakistan, and Japan's tariff quotas and subsidies to its domestic leather industry. **Frances Williams, Geneva**

EU-MEXICO TRADE PLANS

Farm talks 'delicate'

The European Union expects agriculture to be a thorny topic in negotiations for a free trade agreement with Mexico but bargaining over sensitive farm products will not start until next year, a senior trade official said.

"Farm products will definitely be a delicate topic," said Mendel Goldstein, head of the EU delegation, at the end of the first day of free trade negotiations with Mexico. "There are some sectors [and] some products over which in Europe as well as in Mexico worries have been expressed. But looking at the overall balance, it really doesn't seem like cause for concern." Mr Goldstein and his Mexican counterpart, Fernando de Mateo, sought to stress that most Mexican and EU agriculture is complementary, because foods are harvested and sold in different seasons. But Mexican farmers worry that European subsidies will put domestic producers at a disadvantage. European farmers are also concerned about cheap imports from Mexico. **Henry Tricks, Mexico City**

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Smith sworn in as PM of Bermuda

By Canute James in Hamilton, Bermuda

Jennifer Smith, leader of Bermuda's Labour party, was sworn in as premier yesterday, promising a seamless change in policy towards the territory's vital financial sector.

Ms Smith replaced Pamela Gordon of the United Bermuda party after Labour took 26 of the 40 seats in the Assembly in Monday's general election. It was the first change of government in 30 years since party politics began in the British North Atlantic colony of 63,000 people.

Ms Smith said her government planned to improve the island's attraction to international business and to fight off efforts to change its tax status.

Local observers concluded that although the Bermudian economy – based on international business, mainly insurance, and tourism – was doing well, many Bermudians felt benefits were not being evenly shared. Bermuda has a gross domestic product of $30,000 a head. Labour has been traditionally supported by black Bermudians, while the UBP's base is multi-racial.

One of the new government's main tasks will be to preserve and enhance Bermuda's image as a jurisdiction for doing business, Ms Smith said yesterday. The island is the world's third largest insurance market, after London and New York, with the reserves of insurance companies at $39bn.

"My government will be working with the business community to ensure that we improve our position as a centre for international business," the new premier said. "Business has suffered in the past from problems with the bureaucracy, and we will be meeting with business leaders to resolve these. More business means more jobs."

Bermudian business does not expect the new government to make policy changes that will adversely affect the island's attraction as a jurisdiction for doing international business. The sector is comforted by Ms Smith's plan to create a ministry of international business, and to extend tax exemption for companies.

"These are welcome signs," said Gavin Arton, senior vice-president of Exel Insurance. "The business community is looking forward to working with the new government."

The new administration is confronted by international attempts to change Bermuda's status as a tax haven – an advantage which has contributed to the growth of the international business sector.

The European Union, the US, the Organisation for Economic Co-operation and Development and the Group of Seven industrialised nations want to end competition from tax havens such as Bermuda.

The EU wants to eliminate cross-border tax anomalies among members, including their dependencies. It also wants a minimum tax on investment income. Bermuda expects next year to be listed by the OECD among jurisdictions which should change their tax regimes.

Ms Gordon had described the proposed changes as "unfair" and a threat to the economy and jobs in Bermuda. "This is an issue which we will have to deal with, but we think we will be able to handle it," said Ms Smith. "We have good contacts in the UK and the US which will help us to handle this."

Honduras may speed sell-offs after storm

By James Wilson in Tegucigalpa

Honduras will look to speed up privatisation to bring in vital funds for reconstructing the country in the wake of Hurricane Mitch.

Plans are being considered to put sell-offs on a "fast track", bypassing rules that had been set for the national Congress to revise details of the process.

Ports and airports were slated for privatisation alongside the national telephone and electricity companies, Gabriela Núñez, finance minister, said. She affirmed damage estimates of $2bn, not including the value of lost production that was put last week at $1.5bn.

"In the space of three or four days the country's destiny has changed totally," said Mrs Núñez. "There is no sector that we do not have to think about changing. We should give the government the task of managing the social sectors."

Warning of the social consequences of Mitch, Mrs Núñez said the government needed to devise "very sensitive programmes" to provide housing for the thousands left homeless. "We need to have a plan for people, otherwise they will migrate to other countries looking for better opportunities."

Proposals were already advanced to bring foreign capital into state-owned Hondutel, the telecommunications carrier, and ENEE, the electricity company, as part of a forthcoming agreement with the International Monetary Fund to restructure the economy. David Rivera, a member of the consultative commission overseeing Honduras' privatisation plans, said Mitch had caused $33m-$38m of damage to the telephone network.

Selling off Hondutel had been due to take another 12 months, but Mr Rivera said the process could be accelerated if the Congress was ready to agree to streamlining measures, allowing more decisions to be made by the government.

Mrs Núñez estimated the government would lose $300m-$400m in 1999 tax revenue. The tax take is currently around 17.5 per cent of GDP, or $1bn.

Central American presidents have meanwhile continued to press for action to ease their debt burden, saying the needs of Honduras and Nicaragua went beyond the debt relief the two countries were already seeking.

The leaders' summit in El Salvador also called for extended trade benefits from the US and European Union.

Downing Street proposes debt servicing moratorium

Britain yesterday proposed a moratorium on debt servicing by Central American countries devastated by Hurricane Mitch, Our Foreign Staff reports.

Gordon Brown, chancellor of the exchequer, also said Britain wanted to see a new facility at the World Bank to help rebuild the economies of the region. Britain and France were also launching a trust fund to help the countries affected.

Earlier, Dominique Strauss-Kahn, French finance minister, said France's aid to the region would go beyond crisis aid and extend to longer-term reconstruction and development assistance.

Gerhard Schröder, Germany's chancellor, said he would push for the "widest possible remission of debts" for countries devastated by the hurricane.

Lawsuit 'did not change Microsoft practices'

By Richard Wolffe in Washington

Bill Gates, chief executive and founder of Microsoft, insisted the US government's antitrust action had not affected his business practices in any way, a court heard yesterday.

Mr Gates told executives from Intel – the world's largest chipmaker and Microsoft's central partner in the computer industry – that the government did not understand his business.

According to handwritten notes made by Steven McGeady, Intel's vice-president of internet technologies, Mr Gates made a frank and detailed presentation to Intel in July 1995.

"This antitrust thing will blow over," Mr Gates is reported to have said. "We haven't changed our business practices at all."

The US government and 20 states are suing Microsoft for abuse of its monopoly power in the software industry to bully its rival companies into dropping competitive products.

Intel's evidence, which came at the start of the fourth week of the landmark antitrust trial, is potentially damaging for Microsoft because it comes from an industry ally rather than a rival.

Mr Gates' comments were made as the two companies clashed repeatedly over Intel's work in developing its own internet software for the computer programmers.

Mr McGeady had earlier told the court how Microsoft persistently tried to close down Intel's software division, making "terrifying" threats to sabotage the $500m launch of a new Intel chip.

One Intel presentation about Microsoft in May 1995, which was presented in court yesterday, said: "There are many cultural, strategic and legal issues that cloud our relationship, but the fundamental issue is that [Microsoft] firmly believes that the largest developer of Pentium processor based platforms [Intel] has no business developing platform level software!"

Microsoft mistrusted Mr McGeady and suspected he was "a champion" of its software rival, Sun Microsystems, according to an internal e-mail from a Microsoft executive in April 1996. "Unfortunately he has more IQ than most there," one executive wrote to Mr Gates.

The trial was expected to continue yesterday with Microsoft's cross-examination of Mr McGeady, accompanied by conflicting evidence from other Intel executives.

NEWS DIGEST

RADICAL ECUADOR REFORMS

Quito government seeks income tax suspension

The government of Ecuador plans to suspend income tax for at least two years and replace it with a 1 per cent tax on banking transactions, under radical tax reforms sent to Congress on Monday for approval within 15 days.

The three-month-old government of Jamil Mahuad, keen to tackle a fiscal deficit of 5 per cent of gross domestic product, originally planned to reform income and value added taxes but could not be sure of congressional backing.

The 1 per cent tax was proposed by Jaime Nebot, leader of the Social Christian party, the second largest group in Congress. This tax, backed by public opinion and business leaders, could raise $700m a year, almost double the amount raised by income tax collection, which is plagued by evasion and corruption.

But multilateral organisations and foreign investors have expressed concern. They warn the new tax could lead to avoidance of bank services and reduce liquidity. It could also have a "cascade" effect and be charged repeatedly in a chain of transactions. **Justine Newsome, Quito**

PINOCHET HEARING

Spanish claims disputed

International law does not allow Augusto Pinochet, the former Chilean dictator, to lose his immunity from prosecution as a former head of state and so face trial in Spain for crimes against humanity, the House of Lords was told yesterday. Lawyers for General Pinochet argued there was no significant trend in international law which diluted the principle that a former head of state enjoyed compete immunity from prosecution for acts carried out as part of his official duties.

The argument was made on the fourth day of the appeal to the UK's most senior court by the Spanish authorities against a High Court ruling that Gen Pinochet was protected from prosecution because of the principle of state immunity. The Spanish authorities are seekingto extradite him from London, where he is detained in a pivate hospital, to face trial on charges including murder, torture and hostage-taking.

Clare Montgomery QC, for Gen Pinochet, disputed the claims of the Spanish authorities that there were precedents under international law for a former head of state to lose immunity over particularly grave crimes. There were no examples of state practice or statements that such a principle had assumed the force of law, she told the law lords.

The hearing is due to end tomorrow, with the law lords giving their judgment next week. **John Mason, London**

ON-LINE TRADING

E*Trade invests in exchange

E*Trade Group, the on-line trading company, yesterday said it was a big investor in a new options exchange expected to begin operating in early 2000. The new exchange, which has yet to be approved by regulators, is to be named the International Securities Exchange (ISE), and will be the first fully electronic options marketplace. **John Labate, New York**

On the web today

● Dreams of diamond-studded riches dazzle Yellowknife ● Tussle for top job in US Congress ● Mexico's electorate call back old revolutionaries

http://www.ft.com/americas

JAKARTA TENSION ARMED PRO-GOVERNMENT GANGS, BACKED BY ARMY, CONFRONT STUDENTS IN THE CAPITAL

Indonesian army ploy risks riots

By Sander Thoenes in Jakarta

Indonesia's military, under growing pressure to withdraw from politics, yesterday risked another bout of riots by pitting opposition groups against government supporters.

Thousands of troops blocked busloads of unarmed students from approaching parliament, but gave free rein to gangs of government supporters – many armed with bamboo spears. Given licence to roam around the capital in trucks and provoke sporadic clashes some of them appear to have been paid to protest.

Students, demonstrating to get the army to withdraw from politics, largely avoided fights with these groups, most brought in from neighbouring cities. But the city's poor responded furiously when strangers encroached upon their neighbourhoods. The military, idle by the thousands elsewhere in Jakarta, only moved in when 2,000 government supporters were surrounded by armed locals and pleaded to be evacuated.

The military's support for armed civilians came just as the People's Consultative Assembly, the highest legislature, started a four-day special session and indicated it might meet calls from opposition leaders to give the military only one more term in parliament before pushing them out of politics altogether.

Twelve of the country's most influential opposition leaders also met for the first time yesterday and urged the government to limit the military to only one more term in parliament, allow for more regional autonomy, ensure fair elections and pleaded with the armed civilians to go home.

The strongest pillar of Indonesia's government for 32 years, the military has lost much of its authority with the fall of former president Suharto, a retired general. An investigative team last week concluded military officers had actively provoked large-scale riots in May. Major General Subagio, army chief-of-staff, yesterday denied supporting armed civilians and insisted the constitution guaranteed the armed forces 12 to 20 per cent of parliamentary seats. It actually stipulates that all members be elected.

Gen Wiranto, chief commander of the armed forces, tried on Monday to diffuse criticism of the military's political clout by renaming the military's political division. But he has also been responsible for inviting armed civilians to guard parliament and leaving them free to take over a square just a stone's throw from 5,000 protesting students and a poor neighbourhood wrecked by a riot a week earlier.

"They need to provoke two parties into conflict to create a excuse to move in and restore order," said Munir, a political activist who campaigned for the release of political prisoners kidnapped by the military. "Then they can say – look, we're important."

"Wiranto is the puppet master," shouted a man in downtown Jakarta yesterday after he helped tip over and burn a up truck carrying leaflets accusing opposition groups and students of plotting a communist coup. "He paid these protesters to cause riots," he alleged.

Pakistan closer to agreeing power reforms

By Farhan Bokhari in Islamabad

Officials from Pakistan and the World Bank were yesterday finalising reforms for the country's heavily indebted power sector, ahead of the arrival of an International Monetary Fund staff mission expected today.

Agreement with the World Bank is considered essential for the successful conclusion of a loan from the fund.

The IMF called off its last planned visit three weeks ago, after a surprise decision by Nawaz Sharif, prime minister, to cut the domestic electricity tariff by 30 per cent, which called into question the financial viability of contracts awarded to some 19 private power companies during the government of Benazir Bhutto.

The tariff cut created an uproar among affected foreign companies and prompted fears of further financial losses for the Water And Power Development Authority (Wapda), the state-owned power utility, already facing heavy losses due to inefficiencies and corruption.

Its losses of electricity during transmission – about 30 per cent – are considered among the highest in any developing country.

The reforms include plans to send seven military brigades to assist Wapda in collecting at least Rs26bn ($565m) in unpaid bills.

The military is also expected to help with removing the thousands of illegal connections across the country, given out by corrupt Wapda officials in return for a fixed monthly amount which usually is nominal compared to the electricity consumed.

The delay in vital loan negotiations with the IMF comes at a time when Pakistan's liquid foreign exchange reserves have fallen to the equivalent of less than two weeks of imports.

NEWS DI·EST

PROPERTY REASSESSMBT

HK rateable valies to be revised dowrwards

The Hong Kong government is to reatss all properties in the territory to establish new benchmrs for rates, after a property price fall of roughly a half sin summer last year. Rates are still assessed on old prices.

The revised rateable values will take iect from April 1 next year. Donald Tsang, financial secrery, said current rateable values, based on the July 1, 19 revaluation, "no longer reflect the actual rentals".

By cutting rates, the government is alsreducing one of its own sources of revenue for next year. is year, as a result of a nine-month freeze on governmt land sales, reduced stock market activity and the recsion, the budget is on track for a deficit of more than H20bn (US$2.6bn). Accountants reckon it could bs high as HK$50bn; and the International Monetary Fd is predicting a deficit of 3 per cent of gross domesticroduct.
Louise Lucas, Hong Kong

APEC CONFERENCE

Anwar's wife seeks meeing

The wife of Malaysia's sacked finance minister, nwar Ibrahim, said yesterday she wanted to meet forn leaders visiting Kuala Lumpur next week.

Wan Azizah Wan Ismail said the leaders visitinMalaysia for the Asia-Pacific Economic Co-operation forurwould be able to "see for themselves how much reform needed and wanted by the people and the voice protest among the common people of Malaysia".

Mr Anwar, who was also deputy prime minister, as dismissed from the government on September 2 after rift developed between him and Mahathir Mohamad, t premier. Anwar then took to the streets, leading huge mon-strations calling for political reform and the end of Mahathir's 17-year grip on power. But he was later arrested and is on trial for corruption and sodomy. has denied the charges, saying he is the victim of a high-vel campaign to wreck his political career.

The trial began on November 2 and adjourns on Nomber 14, three days before the Apec summit starts. It resumes on November 19, the day after the summit.

Jean Chrétien, the Canadian prime minister, and Bill Clinton, the US president, have said they will not hold bilateral meetings with the Malaysian premier.
Reuters, Kuala Lumpur

INDIAN INSURANCE

Employees plan strike

Up to 200,000 employees in India's insurance sector, a state monopoly, will strike on Friday to protest against proposals to allow foreign participation in the sector once it is eventually liberalised.

Union leaders said the strike would be followed by further stoppages next month and a march on parliament to protest at proposals – not yet formalised as government policy – to permit foreign insurance companies stakes of up to 26 per cent in private Indian insurance groups.
Mark Nicholson, New Delhi

US positive about Indian nuclear export curb talks

By Mark Nicholson in New Delhi

US and Indian officials yesterday described as "positive" and "very useful" two days of technical talks on Delhi's system of export controls for sensitive technologies – including nuclear products. The talks are part of continuing US-Indian negotiations following India's nuclear tests in May.

The talks form a subsidiary to secretive bilateral negotiations between Strobe Talbott, US deputy secretary of state, and Jaswant Singh, the Indian envoy, begun after the nuclear tests to "reconcile India's security concerns with the need to strengthen the global non-proliferation regime", as the US officially characterises the negotiations. The two officials will meet for a seventh round of talks on November 19 in Rome.

The US hopes eventually to persuade India to accede to the Comprehensive Test Ban Treaty and has urged Delhi to adopt strict controls to prevent any export of nuclear-related technology.

India is keen to impress the US of its nuclear "responsibility", hoping to persuade the US to loosen existing controls on nuclear and dual-use technology in return for any signature of the CTBT.

US officials said the technical talks, led by John Barker, US deputy assistant secretary of state for export controls and including disarmament, energy, commerce and military officials, were detailed, would continue and had made a "good start". The US officials travelled to Islamabad for a similar talks with Pakistani officials.

The US this week eased economic sanctions against both Pakistan and India imposed after their nuclear tests, as a reward for "progress" in talks to address nuclear and security issues arising from the blasts and as an encouragement towards further progress.

Japan is considering relaxing its sanctions on Islamabad ahead of a visit to Tokyo on November 17 by Sartaj Aziz, Pakistan's foreign minister.

Top Tibetan monk may have fled to US

By James Kynge in Beijing

A senior Tibetan official in China has gone to the US in mysterious circumstances, raising the possibility that he may apply to live there in exile.

Agya Rinpoche, the abbot of Kumbum monastery in China's north-western province of Qinghai and a "living Buddha", travelled to the US with his personal assistant about four months ago, according to members of the Tibetan government in exile in India and other sources.

If he sought to live in exile, he would be one of the most senior Tibetans to do so since the Dalai Lama fled Tibet in 1959 after the Chinese invasion.

It is highly unusual for a top Tibetan monk from China to go to the US on an unscheduled visit and remain there for any length of time. A member of the Tibetan government-in-exile said Agya Rinpoche had grown disillusioned with Beijing's religious policies but gave few details. It was not clear exactly how the monk got into the US.


Bill Richardson: in Taiwan

Agya Rinpoche is vice-president of China's Buddhist Association, a position that makes him one of China's leading religious officials. His monastery, which is also known as Taersi, is one of the four centres of Tibetan lamaism in China, with the other three being in Tibet itself.

The news of Agya Rinpoche's departure came as China yesterday urged President Bill Clinton to decline an expected meeting with the Dalai Lama in Washington. The news threatened to complicate an already deteriorating atmosphere between the US and China over Tibet.

Jiang Zemin, China's president, had said during his summit with Mr Clinton this summer that Beijing's door to negotiation with the Dalai Lama was open.

"We ask US leaders not to meet the Dalai Lama to avoid harming China-US relations," said Zhu Bangzao, the foreign ministry spokesman.

The official People's Daily blasted the Dalai Lama for "playing tricks" during his nine-day visit to the US, and accused him of "insincerity" in publicising the Tibetan cause on the world stage, rather than talking to Beijing through covert channels.

The Dalai Lama repeated last week that he was not seeking independence for the Himalayan region, but only "autonomous self-rule".

China yesterday also expressed "serious concern and strong dissatisfaction" over the visit to Taiwan of Bill Richardson, US energy secretary, saying his trip broke US pledges to avoid official contacts with Taipei. China regards Taiwan as a renegade province.

مكرر من الاصل

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INWARD INVESTMENT 'THIS IS OUR MONEY AND WE OUGHT TO GET IT BACK,' OPPOSITION PARTY TELLS INDUSTRY MINISTER

Cash for Siemens triggers aid dispute

By David Wighton in London and Chris Tighe in Newcastle upon Tyne

The Conservatives yesterday called on the government to demand the return of all grants on failed inward investment projects after it emerged that Siemens may not repay £50m ($83m) of funding for its north Tyneside semiconductor plant.

John Redwood, the Conservatives' chief industry spokesman, said the government should make clear it would recover all the grants to which it is contractually entitled. "This is our money that we ought to get back," he said. "The problem is that the government is scared of what will happen to inward investment because of the sharp deterioration in the climate for manufacturing in Britain over the last 18 months."

Siemens originally said it would repay all £50m in grants it received following its decision to sell or close the plant. However, it subsequently said it would repay only grants that were "recoverable", excluding other support such as training subsidies.

Peter Mandelson, chief industry minister, told Mr Redwood it would be "inappropriate" to recover the £18m of regional selective assistance Siemens received while it was still trying to find a buyer for the plant. But Siemens had been informed that if the plant was closed, it would be in breach of the grant conditions and the government "would have the power to seek full recovery".

Separately, the government revealed that 61 of the 957 companies that received start-up grants in the past five years had closed within two years.

● Brian Wilson, trade minister, defended the benefits of inward investment to the UK, and especially north-east England, yesterday as he opened a £8.6m plant for American-owned Caterpillar at Skinningrove, Teesside.

Faith in inward investment has been tested in the north-east in recent months by news of the impending closure of the Siemens and Fujitsu plants.

But Mr Wilson said he wished to explode the "myth" that inward investment does not secure jobs. "We welcome inward investment – it has been good for the UK, and especially so for the north-east," he said.

He added: "The crises surrounding Siemens and Fujitsu were particular to their global market and ignore the very real benefits that inward investment has brought to the region and the UK." Caterpillar, the world's largest manufacturer of construction, earth moving and mining equipment, is producing track shoes for the European market at the new Skinningrove plant, towards which it has received £750,000 regional selective assistance from the trade and industry department. Its track shoes, made from steel produced by British Steel, are shipped to France and Belgium where Caterpillar's earthmoving machines are produced.

Lex, Page 14

Fraud charge man dresses as woman in court

By John Mason and Jane Martinson

Peter Young, the former Morgan Grenfell Asset Management fund manager accused of fraud over his investment activities, made his first appearance at court yesterday dressed as a woman.

Mr Young appeared at City of London magistrates' court with co-defendants Jan Johnsen and Erik Langaker, both former brokers with Fiba Nordic Securities. A fourth man accused of fraud, Stewart Armer, also a former Morgan Grenfell fund manager, was not in court.

Mr Young, who was arrested and charged by the Serious Fraud Office last month, appeared in court in a pink sweater, beige floral pattern skirt, sandals and carrying a straw shoulder bag. Mr Young, who also wore shoulder-length hair, make-up and nail varnish, smiled frequently during the three-hour hearing.

Mr Young faces six charges. One alleges he conspired to defraud the trustees and/or auditors and/or investors in three Morgan Grenfell investment funds by concealing the true nature of investments, by concealing the ultimate destination of investments, by breaching investment concentration regulations and by concealing the cost of the creation of 13 Luxembourg companies. The three funds concerned were the European growth trust, the European Capital Growth Fund and the Europa Investment fund.

The other charges allege he breached the Financial Services Act by concealed material facts, or conspired to do so, about the value of stock in various companies including Alulux Mining and Sandvest Petroleum. It is also alleged he withheld information about his personal interest in a bond issued by Carnegie Fondkommission AB, a Swedish company.

Mr Armer faces two charges of conspiracy to defraud and one of conspiring to conceal information. Mr Langaker faces one charge of conspiring to conceal information. Mr Johnsen faces one charge of conspiracy to defraud and one of conspiracy to conceal information. All four were bailed to reappear on March 15 next year.

General Colin Powell (right) jokes with George Robertson, defence secretary, at yesterday's conference Press Association

Powell is recruited to fight racism

By Alexander Nicoll, Defence Correspondent

The UK government yesterday enlisted General Colin Powell, former chairman of the US joint chiefs of staff, in a "war against racism" in the armed forces.

"We mean what we say about not wanting racists," General Sir Charles Guthrie, chief of the UK defence staff, told a conference in London aimed at underlining determination to reverse the UK services' record of harassment and discrimination against ethnic minorities.

Gen Powell was invited to give an account of reforms, begun by President Truman in 1948, that led him from an upbringing in New York's poor south Bronx district to his country's top military post – and also led to the eradication of much racial prejudice in the US services.

An audience of uniformed military chiefs, ministers and ethnic leaders heard him stress the importance of a "zero tolerance" message from political and military leaders. Gen Powell said the ways to combat prejudice included seminars in which there were sometimes painful confrontations between soldiers; celebration of black heritage; sports; and punishment, including dismissal or curtailed career prospects, for allowing or indulging in racist behaviour.

Sir Herman Ouseley, chairman of the Commission for Racial Equality, said the failure of black people and Asians to join up was due to racism and the nepotistic system of regimental recruitment. Service chiefs "have acknowledged their past failures and begun to implement change". The challenge was to get the message understood by all ranks.

Non-whites make up about 1 per cent of the 209,000 in the UK forces. No non-white in the Army is above the rank of colonel. Cases of bullying of black and Asian recruits by their colleagues continue to emerge.

Gen Guthrie said 1,000 officers had attended a racial awareness course. Career prospects would be damaged by unacceptable behaviour.

Conservatives quarrel over attitude to euro

By David Wighton, Political Correspondent

Michael Portillo, a former Conservative cabinet minister, yesterday pledged loyalty to William Hague's leadership of the party after being reprimanded for challenging the opposition Conservatives' approach to the European single currency.

Mr Portillo denied that an article he wrote in the Daily Telegraph newspaper was an attack on Mr Hague although he called for the party to give a stronger lead in the campaign against joining the euro. Yesterday he praised Mr Hague for "bold leadership of the Conservative party in general and in particular on European issues".

But Michael Ancram, the party chairman, issued a veiled rebuke pointing out that Mr Portillo had endorsed the recent ballot on the party's single currency policy. "We now look to all members of the party to follow that lead," he said.

Mr Portillo, who is seeking to return to the House of Commons after losing his seat at the 1997 national elections, also came under fire from the pro-euro wing of the party. Michael Heseltine, the former deputy prime minister, claimed the article was paving the way for a leadership bid by Mr Portillo.

In the article, Mr Portillo was careful not to criticise directly the party policy on the euro. Overwhelmingly backed in a recent ballot among party members, the policy commits the Conservatives to campaign against euro membership at the next election. However, Mr Portillo made clear he favoured a still more sceptical position.

He said economic and monetary union was not mainly about economics but about an attempt to "shoehorn the nationalities of Europe into an artificial political union". The Conservative party was the only body with the "political weight" to lead the fight against membership which was the most important issue for Britain since the war. In a clear criticism of Mr Hague he added that the only way the Conservative party can become a credible force again is by "showing it has something to say".

NEWS DIGEST

NORTHERN IRELAND DECOMMISSIONING

Sinn Féin negotiator rules out IRA move on arms

Any hope of an early breakthrough on "decommissioning" of weapons in Northern Ireland appeared to recede yesterday with Martin McGuinness, Sinn Féin's chief negotiator, ruling out even a token gesture by the IRA, the party's military wing.

Mr McGuinness, who was appointed by Sinn Féin to liaise between the IRA and the international body set up to oversee the disarmament of paramilitary organisations, said: "This issue is being used by the unionists as a blocking mechanism principally because they don't want Sinn Féin on the executive."

Mr McGuinness was asked in a BBC radio interview why the IRA would not start handing over a few weapons to break the logjam.

He replied: "I'll give you a good reason. The IRA won't do it. That's the reason." **John Murray Brown, Dublin**

REGIONAL AIRPORTS

Wave of investment cleared

John Reid, transport minister, will today clear the way for a wave of new investment in four of Britain's biggest regional airports. Mr Reid will announce that borrowing restrictions for the local authority owners of Manchester, Newcastle, Norwich and Leeds/Bradford airports will be removed.

Mr Reid is also anxious to promote regional air travel to relieve pressure on the increasingly overcrowded airports near London. Manchester hopes that the increased access to private capital will allow it to overtake Gatwick to become Britain's second largest airport. In seven years, the airport predicts it will almost double its passenger numbers from 16.2m last year to 30m, making it the fifth largest in Europe. **George Parker, London**

OXFORD UNIVERSITY FEES

'Education negligence' fears

Colleges at Oxford University may take out a block insurance policy to protect their lecturers from being sued for "education negligence", amid fears that UK students paying tuition fees of £1,000 ($1,660) a year will become more litigious if they miss the grades required to enter highly-paid jobs. The fees are being charged for the first time this year.

Lecturers have been warned by college officials that they are in "a legal no-man's land" and could be held personally liable for any damages and legal costs arising from claims by disgruntled students. David Palfreyman, bursar of New College, one of Oxford's oldest and richest institutions, said: "If different lawyers tell you different things, you have to err on the side of extreme caution."

The warnings from officials have alarmed wealthy colleges and the growing number of rich "media dons" and so-called "paper millionaires" who have made their fortune through high-tech spin-off companies and who could be targeted by students. **Simon Targett, London**

MEDICAL USE OF CANNABIS

Peers' approval rejected

Doctors should be allowed to prescribe cannabis for medical use, the House of Lords Science and Technology Committee said yesterday.

Its recommendation, however, was rejected outright by George Howarth, a Home Office minister, who said the government "would not be prepared to countenance" any prescribing of cannabis before clinical trials and safety tests have been completed". The government has already licensed GW Pharmaceuticals to grow cannabis and conduct clinical trials which could lead to a licensed medicine.

Lord Perry of Walton, the pharmacologist who chairs the Lords' committee said yesterday that the committee "consider there is sufficient evidence of medical benefit in many patients to make it unjustifiable and inhumane to make them wait quite so long before they can get supplies legally". **Nicholas Timmins, London**

EU HARMONISATION BUSINESSES WILL RISK BEING FINED UP TO 10 PER CENT OF TURNOVER

Companies face competition crackdown

By Kevin Brown, Industry Editor

The government will today issue a clear warning to business not to underestimate the severity of the crackdown on anti-competitive behaviour that will take place when the Competition Act comes into force.

The Act is based on the competition clauses of the Treaty of Rome, bringing UK competition law into line with the European Union. Kim Howells, the competition minister, will tell a conference on the Act being run by the Confederation of British Industry, the UK's principal employers' organisation, that companies must take responsibility for avoiding anti-competitive behaviour, or run the risk of being fined up to 10 per cent of their turnover.

He will say that there has been little onus on companies in the past to take clear steps to avoid anti-competitive activity because the worst penalty for most breaches of the rules was simply being asked to stop – assuming the activity was discovered.

"Under the new regime, we see it as the responsibility of the parties themselves to ensure that their conduct does not breach the prohibitions," Mr Howells will say, warning that the Act allows penalties for anti-competitive conduct from the date the rules are infringed, not from the date of detection. His comments follow evidence that many companies do not understand the new law, which was given royal assent on Monday.

A recent survey by Cameron McKenna, the law firm, found that 38 per cent of companies had little or no knowledge of the Act. Officials in the trade and industry department and the Office of Fair Trading, say that the Act is well understood by bigger companies, which are most at risk of breaching the rules. The OFT is planning an education campaign to make sure companies understand the law.

Mr Howells will tell the CBI conference that the Act will help to speed up the modernisation of the UK economy. Reflecting the Treasury view that weak competition legislation has been one of the causes of relatively low UK productivity, he will claim that the Act will encourage enterprising and innovative businesses to thrive by providing an effective deterrent against anti-competitive behaviour.

It replaces the 1976 Restrictive Trade Practices Act and the 1980 Competition Act, which provided for anti-competitive practices to be referred to the Monopolies and Mergers Commission. The main provisions will not come into force until March 2000.

New breed of owners makes history in the Highlands

With land reform fast climbing Scotland's political agenda, more great estates are communally run, **James Buxton** reports

John MacKenzie is one of a new breed of landowner in the Highlands of Scotland. He has a small flock of sheep and works as a marine engineer. He is neither a duke, a City of London success story nor an investor from outside the UK.

He is one of a group of crofters that owns a 9,500 ha estate near Lochinver, north-west Scotland. The property – which once belonged to an aristocratic family – is now run by a 16-strong committee on behalf of about 100 crofters, or traditional farmers with small businesses.

"What we did here in 1993 has changed the course of history in land tenure in Scotland and things will never be the same again," says Mr MacKenzie. "We are in total control of our land, apart from the constraints that apply to any landowner."

Community ownership of Highland estates is spreading. The 68 inhabitants of Eigg in the Inner Hebrides last year bought the 2,500 ha island for £1.5m ($2.5m), thanks to big outside donations. Now Sir Cameron Mackintosh, the impresario, and Chris Brasher, the former Olympic athlete, are poised to help the people on the Knoydart estate – a remote peninsula opposite the Isle of Skye – to take control of it.

Land reform is climbing the political agenda in the run-up to the creation of the Scottish parliament next year. Donald Dewar, the chief minister for Scotland in the UK government, wants local communities to have the right to buy estates at market value when they come up for sale and intends to provide National Lottery money to help them.

The Knoydart story illustrates why community ownership has attractions. Wealthy individuals have traded this beautiful land for years but the frequent changes of owner have exasperated people living on it.

Knoydart was acquired for £1.2m in 1985 by an English property speculator who sold it off in parcels. The last chunk was bought by Titaghur, the jute company, in 1991 for £1.7m. It went back on the market after the company's plan for an adventure centre for delinquent youths was thwarted by local opposition.

With outside support – including that of Sir Cameron – local people last year started the Knoydart Foundation to buy it and halt the ownership merry-go-round. But Titaghur rejected its offer and this year sold it to Stephen Hinchliffe, the entrepreneur whose Facia retail group collapsed in 1996.

The estate went into receivership last month. Sir Cameron and Mr Brasher say they will buy it for about £900,000 and lease it to the foundation for 25 years.

Farther north, near Lochinver, where the Assynt Crofters' Trust has been in control for five years, Aileen Kinnaird, the trust's secretary, says: "There's not a huge difference with us owning the estate because the status of crofters was anyway protected by law.

"But as well as the emotional thing, ownership means that if someone wants to do something on their land they don't have to go to the landlord or his factor [agent] and usually be turned down."

Ownership also brought them the sporting rights and the right to plant trees. But a plan for a miniature hydro-electric scheme under the government's renewable energy initiative has been delayed by environmental objections. And though one of the trust's early objectives was to provide cheap rented housing, the crofters cannot agree which land to release.

"We operate on a democratic basis. Our processes may be more complicated than those of a private landowner but they are more responsive," says Mr MacKenzie. But he admits: "The main prize of improving the economic prospects of our members has yet to be achieved."

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OPERA RICHARD JONES TACKLES ZEMLINSKY AND RAVEL

Childish perversity given a free rein

David Murray finds the Paris Opéra sparkling with visual imagination

The Paris Opéra invited Richard Jones – he of the infamous Covent Garden *Ring*, and many other clever productions – to stage a tantalising double bill: Alexander von Zemlinsky's opera after Wilde's *Birthday of the Infanta*, and Ravel's *fantaisie lyrique* to Colette's mock-childish *livret*, *L'Enfant et les sortilèges*. Jones himself was a clever choice; innocent, childish perversity has always been his best suit.

Both operas would figure on any knowledgeable list of the best half-dozen one-acters composed this century. Both texts touched something deep and personal in their composers. Zemlinsky's advances had been repulsed by his pupil Alma Schindler (later Mahler) because he *was* an ugly dwarf, as in Wilde; and Colette's fantasy answered nicely to Ravel's yen for idyllic childhood, mechanical toys and small furry animals.

Zemlinsky's opera, premiered in 1922 by Klemperer, enjoyed great success throughout the 1920s as *Der Zwerg* ("The Dwarf"; at the Paris Opéra now, *Le Nain*). The Nazis banned it as a case of *entartete Kunst* – "degenerate art" – in the 1930s, when Zemlinsky fled to America. It was not performed again until the conductor Gerd Albrecht revived it at Hamburg in 1981 under Wilde's own title, not Zemlinsky's, and with a rewritten text closer to Wilde's tale.

Paris has reverted to Georg Klaren's original version, which omits the Infanta's parting shot after her Dwarf dies of a broken heart (henceforth, she says, she wants only toys *without* hearts). Zemlinsky's librettist steeped the action in suggestively adult sentiments, well past puberty. Jones matches him with a girls' chorus straight from St. Trinian's in identical sexy wigs, a trio of tarty maids in brief, transparent skirts that reveal their sexy garters.

In Antony McDonald's designs, they disport themselves before a garden of giant asparagus, grossly phallic against a lurid purple background (clever lighting by Thomas Webster). The Infanta here cannot but be a sly, knowing nymphette, though Christine Schäfer sings her with piercing delicacy. The cruel mismatch between the Dwarf's wild kind of innocence and the spoiled Infanta's is properly brittle, but it comes near to a sleazy cartoon.

The Infanta here cannot but be a sly, knowing nymphette

Zemlinsky's score is richer than that, as the conductor James Conlon well understands. I cannot imagine *Der Zwerg* better conducted: incisive and recklessly romantic by turns, with the Dwarf's halting, expressive music poignantly realised. Andrew Shore gives his Major-Domo a weight of character beyond the script, and as the Infanta's favourite maid Susan Anthony pours out warm, honest feeling that sets the rest of the action at a chilly distance.

Above all, David Kuebler sings the Dwarf with lonely, obsessive devotion – once heard, never forgotten. If he doesn't quite rise to the impact of his fellow-American Kenneth Riegel in the role, that is only because Jones reduces him to the singing shadow of his puppet-Dwarf, an impassive manikin whom he carries in his arms and at his shoe-tips. We don't *see* his convulsive anguishings.

Probably that suited the Paris Opéra well: nothing to upset family audiences – who populated the matinee I heard, on account of parental confidence in the "children's" Ravel. At 80 minutes *Der Zwerg* was really too long and too cruelly refined for kids (especially when sung in German, with surtitles); but the 1925 Ravel – just 50 minutes long – is a surefire piece, infinitely tender despite its ironies and its witty pastiches of 1920's popular music.

"L'enfant" is a naughty boy (the appealing Gaële Le Roi) who hasn't done his homework, and is rebuked by a whole procession of "sortilèges". The furniture and crockery he has broken, the wallpaper and the fairy-tale book he has torn, even his neglected Arithmetic, all spring to reproachful life in magical numbers. Jones and McDonald have realised them all with delicious fantasy.

Then a raunchy cats' duet, *à la Tristan*, draws the child out into the garden, where a host of abused fauna and flora have their own complaints to make. Here the *animateurs'* ingenuity goes too far: remembering that Ravel was haunted by memories of the Great War, they have turned the naive frogs, squirrels, birds, dragonflies and trees into grisly wraiths from the battle-scene.

Instead of an enchanted garden, we seem to be watching *Night of the Living Dead*. The gentle magic is extinguished. Only the final chorus of reconciliation could save it, and on Sunday that went badly adrift. Still, this *L'Enfant* and *Zwerg* sparkle with visual imagination, and with stylish solo voices, too many to mention; they are a rare treat to see and to hear.

Further performances at the Opéra National de Paris (Palais Garnier) November 11, 14, 18, 20, 23 and 25.

Incisive and recklessly romantic: Christine Schäfer as the Infanta with her puppet dwarf in Zemlinsky's 'Der Zwerg'

MUSIC

American in Paris

Pierre Ruhe reviews Ellen Taaffe Zwilich's Violin Concerto

"Accessibility" has become a key component of music commissioned by orchestras these days, and few composers meet the request as efficiently and with as little pretence as Ellen Taaffe Zwilich.

A work like her Violin Concerto – premiered last March in New York and given its European debut recently in Paris – refines the term. It is so accessible – easy to enjoy and understand upon first hearing, at least on a surface level – that we feel we have heard its kind before, that it is strangely familiar. The need for accessibility in music springs from the same phenomenon as the pop-culture trend called "retro", creating art in a nostalgic, non-threatening style.

Zwilich's point of reference in the Concerto, along with several of her other recent works, is Shostakovich. Her musical vocabulary openly evokes his lyrical, meaty tension – but without a hint of the Soviet composer's bleakness, suffering or irony. It is a particularly American sensibility, perhaps, one that has made Zwilich among the most broadly performed living American composers in her home country. Abroad she still relies on individual musicians intent on programming her music.

At the Cité de la Musique in Paris, violinist Pamela Frank, for whom the Concerto was written, played with a plummy and inviting tone, and with authoritative confidence. The solo part is not exceedingly virtuosic, yet lingers where a violin is most flattered – evidence that Zwilich was a professional violinist before settling down as a full time composer.

A fluid compositional technique ensured that balances and sonorities within the Orchestre de Paris blended effectively. For an ensemble, playing such a lovely, tautly constructed and easy-to-assemble piece of contemporary music must seem irresistibly attractive. But an original voice is not Zwilich's strength here, and the overall effect left a slightly hollow impression with this listener.

Christoph von Dohnányi conducted the short programme – one of the orchestra's concerts for children – which played the Zwilich between Schubert's Rondo for Violin and Strings (Frank again as soloist, playing beautifully), and a solid, energetic reading of Janáček's *Sinfonietta*. The latter showed the orchestra as a scrappy ensemble, in need of Dohnányi's strict conducting regime.

Since Seymon Bychkov stepped down as music director, the Orchestre de Paris has given Dohnányi a two year appointment as both musical adviser and principal guest conductor, meaning that he will conduct four weeks of concerts and guide the band until a new director is in place.

It is probably too late to preserve its once distinctive French orchestral timbre, and Dohnányi's time in Paris will be too limited to instil cohesion amongst the players. Still, there are hardly any conductors like him left, and with his forceful, disciplined style he is probably the best suited to hold a limited role.

Family crises played out on the verandah

THEATRE

SARAH HEMMING

Lips Together, Teeth Apart
The House Among the Stars
Orange Tree Theatre, Richmond

Lips Together, Teeth Apart, the title of this play by American playwright Terrence McNally, derives from an instruction that one of its characters receives from his doctor. To prevent himself from grinding his teeth in his sleep, he has been told by his doctor to try chanting "lips together, teeth apart" every night as he drops off. It seems a useful tip to share, given that everybody in the play has so very much to grind their teeth about.

Sally's gay brother has died from Aids and left her his gorgeous beach house on Fire Island. So she arranges a weekend away for the Fourth of July in the company of her husband, Sam (who hates gays), her brother-in-law, John (who hates blacks), and her sister-in-law, Chloe (who loves to talk). Sally, meanwhile, is brooding over her unease at her brother's lifestyle, her sadness at his death, her pregnancy, and her one night stand with the aforementioned brother-in-law.

This jolly little foursome sets about trying to have a nice time, lounging by the pool, eating muffins and drinking Bloody Marys. But as the temperature rises, so do the tensions, and it's not long before the two men are brawling on the deck, to the great amusement of the gay household next door. Feelings fester; insecurities and fears erupt; a local man is drowned; and the frightful Chloe emits a continuous stream of prattle that has the audience murmuring assent when her husband voices a desire to "pick up a rock and bash her head in".

In Alan Ayckbourn's hands, this weekend from hell would become squirmingly funny and close to the bone; but here it never quite works. McNally's theme is truth – how much is good to tell; how to come to terms with what you know – yet, rather than agonise along with the characters and their painful dilemmas, you begin to dislike them. Their relationships seem phoney and their viewpoints clichéd. McNally's style, which is to intersperse brittle comic exchanges with voiced inner feelings that only the audience can hear, eventually becomes rather predictable.

Auriol Smith's production is polished, highly charged and boasts fine performances from the cast. Lucy Tregear is awesome as the frantically active Chloe, while Stuart Fox's John is all tight-lipped repression and Amanda Royle's Sally is all moody introspection. Paul Kemp is particularly impressive as the bullish, but confused, Sam. Yet the play fails to move. We ought to care about these people, but in the end watching their predicaments was rather akin to reading the problem page in a women's magazine.

Impressive casting: Paul Kemp and Amanda Royle as Sam and Sally in Terrence McNally's 'Lips Together, Teeth Apart' Alastair Muir

★

You don't go to a Michel Tremblay play expecting a straight narrative. The French-Canadian writer habitually creates a rich stage world by shattering conventions – in his *Albertine in Five Times*, for example, one woman is shown in five different decades of her life simultaneously – and *The House Among the Stars* is no exception.

In this 1990 play, translated from the French (*La Maison Suspendue*) by John van Burek, he has several generations of the same family on stage at once, their stories overlapping and interweaving. It has all the qualities that make Tremblay such a unique voice – it is rich, strange, beguiling, occasionally irritating and sometimes surprisingly beautiful.

The house is the central feature. We first encounter it through Jean Marc, a 48-year-old gay lecturer. To try and negotiate his way through his own personal crisis, he has bought the old log house in the country where he spent his summer holidays as a boy. As he sits on the veranda with his lover, Mathieu, and Mathieu's small son, we begin to see people from his family, to whom the house belonged. Soon three family groups are on stage simultaneously – one from 1910, one from the 1950s and one from the 1990s – each group trying to resolve a crisis that has blown up between them.

Tremblay builds up the play like a mosaic, and it is not easy at first to work out who is who. But patience pays off as, in the second act, the play shifts into focus, and all becomes clear. Meanwhile, Tremblay's technique of juxtaposing people and problems makes for reflection. Running through the play are various themes – what family means to people; how familes can both comfort and constrict; what "normal" life is; whether it is better to be pragmatic or a dreamer; how to be true to oneself and still care for others. Tremblay revolves all these issues, as if holding a prism in his hand, while Jean Marc slowly moves towards healing the rifts of the past.

This absorbing play is beautifully staged by Dominic Hill, but it has certain problems. Because the story works by accumulation, the play seems stodgy and static in places. Tremblay's array of strange characters, however, is brought to life by a fine cast. Particularly striking are Sarah Tansey and Jeremy Crutchley as the incestuous brother and sister whose "beautiful sin" is to bear down on the whole family. She is strong and earthy; he is a quixotic dreamer who tells wonderful stories and through whom Tremblay develops captivating images – such as that of the wooden house being born aloft and carried through the stars by 40 guardian angels.

There are strong performances, too, from Emma Gregory and David Timson as their confused progeny, the dour Albertine and the camp Edouard. And Anthony Johnson is very good as the small boy in each family episode, a constant poignant reminder from Tremblay that the way we conduct our lives will be the stuff of someone's memories.

The two plays run alternate weeks until December 12.

INTERNATIONAL

Arts Guide

ABERDEEN

OPERA
His Majesty's Theatre
Tel: 44-1224-641 122
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Nov 13, 14

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 12

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Cinderella: new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama, and the conductor is Peter Ernst Lassen; Nov 13, 17

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Götterdämmerung: by Wagner. Conducted by Christian Thielemann, with a cast including Gabriele Schnaut, Wolfgang Neumann and Esa Ruuttunen; Nov 14

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Christoph Kolumbus: by Milhaud. New staging by British film director Peter Greenaway, conducted by Philippe Jordan; Nov 15

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Ravel and Rachmaninov. With piano soloist Ivan Moravec; Nov 12, 13, 14, 17

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 12, 15, 17

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garfoth; Nov 12

LONDON

CONCERT
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Michael Tilson Thomas conducts a series of works by Stravinsky; Nov 15

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Rambert Dance Company: Cruel Garden, by Lindsay Kemp and Christopher Bruce. Evocation of the life and work of Federico García Lorca, set to music by Carlos Miranda, performed by London Musici; Nov 11, 12, 13, 14

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings the title role; Nov 11, 14

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 801
www.laopera.org
Falstaff: by Verdi. Revival conducted by Gabriele Ferro in a staging by Stephen Lawless, with sets by Hayden Griffin; Nov 11, 14

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Reimann and Schumann, with the Philharmonic Choir; Nov 11, 12
● Munich Symphony: conducted by Hayko Siemens in Verdi's Requiem Mass. With the Munich MottenChor and soloists including Olga Romanko; Nov 13

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert; Nov 12, 15

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Colin Davis in works by Berlioz, Martin and Mahler. With soprano Inger Dam-Jensen and bass-baritone Thomas Quasthoff; Nov 12, 13, 14

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Renée Fleming (replaced by Felicity Lott on Nov 14), Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 11, 14

ROME

EXHIBITION
Palazzo del Quirinale
La Dama con l'Ermellino: Leoardo da Vinci's 1489 portrait of the young mistress of Duke Ludovico of Milan travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Nov 14

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Mozart and Bruckner. With piano soloist Peter Serkin; Nov 11, 12, 13, 14

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Don Carlo: by Verdi. Conducted by Emmanuel Joel in a staging by Emilio Sagi, with designs by Zack Brown. Cast includes Anthony Michaels-Moore; Nov 11, 14
● Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair, with sets by José Varona. The title role is sung by Carol Vaness; Nov 15
● Peter Grimes: by Britten. Conducted by Donald Runnicles in a staging by John Copley, with sets by Carl Toms. The title role is sung by Thomas Moser; Nov 17

STOCKHOLM

EXHIBITION
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
Invisible Light: Photography and Classification in Art, Science and the Everyday. Traces the evolution of photography from its scientific and anthropological beginnings; to Nov 15

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● NHK Symphony Orchestra: conucted by Wolfgang Sawallisch in a programme of works by Schumann. With piano soloist Yefim Bronfman; Nov 11, 12
● Orchestre de Paris: conducted by Georges Prêtre in works by Mussorgsky, Debussy and Ravel; Nov 15
● Orchestre de Paris: conducted by Georges Prêtre in works by Bizet and Berlioz; Nov 16
● Tokyo Symphony: conducted by Naoto Ohtomo in works by Mathias, Mozart and Elgar. With flute soloist Emmanuel Pahud; Nov 14

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Opie; from Nov 12 to Jan 17

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

Aid, hope and charity

Aid works if the right people receive it. That sounds like common sense. But it has not been common practice

Some 1.3bn people now have a purchasing power of less than a dollar a day. This represents poverty deeper than most people in rich countries can even imagine. The question is how to eliminate such dreadful destitution. Is official assistance, in particular, part of the solution?

Just two or three decades ago, the answer Yes would have been taken for granted. The long-term remedy for poverty had to be faster growth, which was believed to depend on higher investment. Since private markets would not supply the funds, the remedy was official assistance. There were, it is true, sceptics about aid, among them Peter (now Lord) Bauer. But his arguments made him something of a pariah.

Experience proved chastening. Academic studies confirmed what practitioners could see with their own eyes: there was no connection between aid and alleviating poverty. It was not that aid made growth impossible, as extreme critics argued. Rather it did not seem to make any difference. The examples of wasted aid were all too depressing: in Tanzania, for example, $2bn went into roads but the network was no better afterwards because of poor maintenance.

Partly because of the resulting aid fatigue, official assistance declined from a peak of $63bn in 1991 to only $35bn in 1996, before rising back to $44bn in 1997. Aid has become a dying business. If its advocates wish to see it revive they have to persuade the legion of sceptics that aid can make a difference. The World Bank report, Assessing Aid, published yesterday, is a noteworthy effort to do just this.* Its chief point is simple: aid can be extremely effective in promoting growth and reducing poverty, but only in the right economic environment.

"Good economic management matters more to developing countries than foreign financial aid does. Policy and institutional gaps, not financing gaps, hold back economies that lag behind. Aid has a big impact only after countries have made substantial progress in reforming their policies and institutions." The critics were right – but also wrong. Aid can be useful, but only if it goes to people who know how to use it.

This is sounds like common sense – it is. But it is not what has been happening. As soon as a country sorts out its economic management it finds the assistance it has been receiving shrinks: in 1996, the most aided countries were ones with mediocre regimes (see chart). Unto every one that wasteth shall be given: but from him that wasteth not shall be taken away even that which he hath.

Additional aid increases growth in good economic environments, lowers it in bad ones and leaves it unchanged in average conditions (see chart). In the better environments income per head in low-income countries with large amounts of aid grows 1.5 per cent a year faster than in those with little aid. A related World Bank paper argues that around 30m people are being lifted from desperate poverty every year. With the most efficient possible allocation of aid, this could be raised sharply, to 80m a year.**

In trying to understand all this, it is essential to remember three points.

First, there is no alternative to rapid economic growth if the aim is the alleviation of poverty. In poor countries, even the most equal distribution of income would still leave everyone impoverished.

Second, it is no good expecting improved policies from a complacent, corrupt or criminal regime. Reform cannot be bought from a government that has no desire to sell it. Traditional conditionality simply does not work.

Third, what you see is *not* what you get. It is impossible to find a way around the obstacles created by a poor environment through targeted assistance to high-priority areas. Money is fungible: a government can offset aid by adjustments in where it spends its own money. Aid – including debt relief – always finances the marginal priorities of the government, be these palaces, prisons or primary schools (or tax cuts, for that matter.)

Thus the first goal of the intelligent donor should be to find countries with tolerable economic environments and support them. Broadly speaking, such an environment consists of "macro-economic stability, openness [to trade], rule of law and absence of corruption". Happily, democratic regimes are better than dictatorships; and newly elected governments more effective than old dogs asked to do new tricks.

The good news is that the number of poor countries with such economic environments has risen sharply over the past decade or so. The bad news is that aid allocation has not, so far, followed the good news. But at least the opportunity is there.

The suggested re-allocation of aid towards low-income countries with good economic management seems compelling. But it also creates some tricky challenges.

One is what to do about countries with poor environments. Should they be abandoned? The report says no. But what they need is not money, which would be wasted, nor targeted projects, which are, given fungibility, pointless. The sensible approach is to nurture understanding of the need for reform through education and analysis. Donors must sell good ideas first.

Another issue is whether to set up projects. Given fungibility, the activity a donor thinks it is financing is not the one it is in fact financing. What justifies a project is the difference the donor makes to it and, through that impact, to the country's capacity to deliver public services.

Yet another challenge is how to improve performance where governments have already come a long way. If a government has demonstrated a serious commitment to reform, aid can be given as general budgetary support. This will simplify the government's task, while allowing donors to focus on a broader policy dialogue.

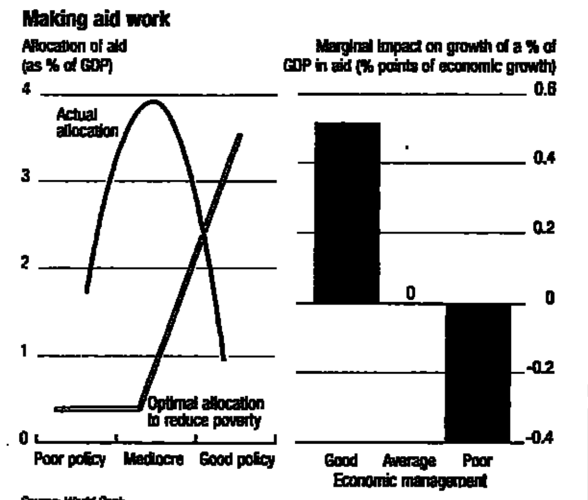
The report does not suggest generosity should be infinite. Aid has diminishing marginal returns, even in good environments, with the ceiling being roughly 10 per cent of gross domestic product (at market prices). But the conclusion that aid can have strongly positive returns has to be welcome.

If the report is right, mass destitution could be made a thing of the past with a relatively modest investment by the world's richest countries. Since aid was a mere 0.22 per cent of the gross national product of the world's richest nations in 1997, the sums they would be risking are very small.

What is important, however, is that the donors understand what the report is saying. The argument is for "tough love": tough, because it is discriminating, love, because it is generous to the deserving. But are the donors going to be both generous and tough? Or are they going to be mean and weak-minded, reducing aid further while pouring much of what aid there is on the Mugabes and Mobutus of this world?

The most important players, however, remain the developing countries, which "are to a large extent masters of their own fate", as the report argues. "Domestic economic management matters more than foreign financial aid." The message is positive, but sobering. It is possible only to help those determined to help themselves.

Making aid work



Source: World Bank

**Available on http://www.worldbank.org/research/aid/; ** Paul Collier and David Dollar, Aid Allocation and Poverty Reduction (World Bank, forthcoming).*

Martin.Wolf@FT.com

LETTERS TO THE EDITOR

Japan's step towards risk-priced lending

From Mr Russell Harrop.

Sir, Why do both Paul Krugman (October 27) and Eisuke Sakakibara (Letters, October 30) regard the problem with the Japanese economy as being too little aggregate demand? The larger problem is one of overcapacity due to inefficient production facilities that are simply too small to compete with the lowest cost producers on economies of scale.

In an efficient market, such producers would leave the marketplace. In Japan this is not the case, due to the close relationship between banks and companies through cross-shareholdings. Competition between banks to lend to such trophy borrowers and the lack of distinction between "good" and "bad" borrowers has, not surprisingly, led to minuscule loan spreads and very high exposure to potentially bad loans. Returns on both assets and equity in the banking sector are miserable.

I agree with Tim Bond (Letters, November 9) that there are simply too many banks in Japan that are too willing to lend at too low rates of interest. More efficient risk pricing would force inefficient companies out of business and improve (and also shrink) bank balance sheets. Those companies left in business would improve both their profitability and the national tax take. Since 60 per cent of small companies do not pay any tax, this would be a significant positive for government finances.

The so-called credit crunch in Japan appears to be the first step towards risk-priced lending as banks seek to withdraw from unprofitable loan agreements and as such should be applauded. Any provision in the financial system stabilisation package that seeks to increase lending would be a backward step likely to cause another bad debt crisis in the future.

In the long term, a level playing field for all companies through risk-priced lending will improve the efficient allocation of resources in the Japanese economy and increase tax revenues; the latter is vital given the ageing of the Japanese population and the strain this will place on the economy in the 21st century.

Russell Harrop,
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A loud, clear message soundly rejected

From Mr Steven Howard.

Sir, Congratulations to Philip Stephens for putting the US midterm election in proper perspective ("The great escape", November 6).

It is disingenuous of the Republicans to claim that they "did not have any message", or that they were "unable to communicate their message" to the American electorate. The fact is that the Republican message was clear, and it was loudly communicated. More important, it was also soundly rejected across the country at both local and state level.

The Republican Party message is out of sync with a vast majority of the American voting and non-voting public. Poll after poll says "run the affairs of the nation; stop running investigations", and now the people have spoken likewise in the most important poll of all – the ballot box.

As long as the Republican Party is run by elected officials in Washington, it will remain a party out of sync with the country. It is little wonder that no sitting congressman or senator has been elected president since John F. Kennedy. The public does not want to elect a Washington insider to the White House, and certainly does not trust a party run by Washington insiders. These are the messages the Republican Party needs to hear.

Steven Howard,
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Cry from the heart of a small businessman

From Mr Albert Wesselink.

Sir, Tony Barber has hit the nail on the head "Bonn plans hit by economic chill", November 6) – a cut in Bundesbank or European Central Bank rates is unlikely to work wonders for the German economy. What counts for me, as a small businessman, would be reductions in employee tax and social security burdens that would give me the confidence to hire someone instead of working for two myself.

I would think the same applied to thousands of independents like me. Gerhard Schröder and co know this, but the Bundesbank will serve as an easy scapegoat when the government does not live up to its core election promise of significantly cutting unemployment.

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Pragmatic deal-cutter

Mark Suzman profiles the man who should become leader of the Congress and number three in the US hierarchy

When Republicans took power in Congress after the 1994 elections, the lanky Louisiana congressman who was appointed the new chair of the powerful appropriations committee wasted no time setting the tone. At the committee's first meeting, Robert "Bob" Livingston took out a huge alligator skinning knife known as a "cajun scalpel" and laid it on the table.

The blade served as a symbol and thinly veiled threat. Officially, it signalled Mr Livingston's determination to slash the budget deficit by cutting government spending. But the knife also illustrated its owner's basic approach to politics: Mr Livingston is a pragmatic deal-cutter with a sharp edge.

It is a style which is likely to characterise Mr Livingston's tenure when he becomes the most powerful official in Congress: speaker of the House of Representatives. Newt Gingrich, the man he will be replacing, was often portrayed as a mercurial bomb-thrower; sometimes, such as in the 1994 election, his missiles successful destroyed the enemy. Other times, like last week, they blew up in his face. Mr Livingston, by contrast, is expected to take a much more targeted and pragmatic approach as he tries to push through new legislation in the face of a re-energised White House.

"The speaker at the core of his personality was a great warrior not a consensus-builder and under Bob Livingston things will not be as confrontational," says Mark Sanford, a Republican congressman from South Carolina. "With only a six-vote margin the new Republican leadership will be looking to build bridges within the party and outside it."

But even if the two men's approach to leading the Republican party differs significantly, the political agenda they pursue does not. Mr Livingston has already promised to push forward with a broadly Gingrichian programme embracing "smaller government, fewer taxes, safer communities, a strong national defence and the best quality education for our children".

After Mr Livingston's only rival dropped out earlier this week, he and Mr Gingrich appeared together a meeting of a Republican political action group, posing for photographers with broad

Hot head: some Republicans worry about Livingston's temper

smiles and their arms around each other. "We've never had a big majority but we always stood for big ideas," Mr Gingrich said to rapturous applause and a thumbs-up sign from his successor. "If every Republican will pull together for Bob Livingston, these big ideas will continue to move us forward."

The bonhomie was not all artificial. Although it was Mr Livingston's decision to challenge Mr Gingrich last week that triggered his resignation, the man from Louisiana's ascent up the political ladder owes much to his predecessor.

Descended from a New York aristocrat who administered the oath of office to George Washington, Mr Livingston is a black belt in taekwando and a lawyer by training. He grew up in modest circumstances, served in the navy and was educated at Tulane University in New Orleans, Mr Gingrich's alma mater.

After a successful career as a prosecutor, he was elected to Congress in 1977, where he served with Mr Gingrich and the two became friends. When Mr Gingrich became speaker, he plucked Mr Livingston from relative obscurity and named him appropriations chair over the head of several more senior members. Last year, when Mr Livingston was seriously considering leaving Congress to take up a lucrative lobbying position, it was Mr Gingrich who persuaded him to stay.

Arguably the most powerful committee position in Congress, the appropriations committee chair takes charge of annual spending and is in an unrivalled position to dispense and withhold patronage. During his tenure, Mr Livingston scaled back government spending, but also won a reputation as an effective old-style legislator, skilled in back-room negotiation but willing to compromise on key issues. "He has shown that he's willing to try and put together a working relationship between the parties," says one Democratic aide.

Mr Livingston's legislative track record is that of a pro-business conservative. He has been a reliable supporter of oil and gas companies in his home state and receives high marks for the US Chamber of Commerce for his voting. He backed the North American Free Trade Agreement as well as last year's failed bid by President Bill Clinton for "fast-track" trade negotiation authority.

But Mr Livingston is not as committed an internationalist as Mr Gingrich, and some observers worry that he will not be a strong voice against the protectionist mood in Congress. A proponent of extra defence spending, he supported funding for the US troop presence in Bosnia, but also backed bills seeking to prevent US soldiers having to take orders from United Nations commanders and having to wear UN uniforms.

But for all the tributes, the party does have some concerns about its new leader. Mr Livingston has a famous temper. His aggressive speaking style sometimes borders on parody and some fear it could be used by Democrats to portray him as a strong partisan in the mould of the vilified Mr Gingrich. In a famous 1995 speech that often gets re-aired on television, he stood red-faced on the floor of the House, arms flailing wildly as he promised to hold out until "Doomsday" in the budget stand-off with the White House.

But Mr Livingston now disavows such behaviour (he says even his mother told him he looked like a "lunatic"). And supporters say his calmer, more deliberate style should help Republicans shift public perceptions that their party is in the control of uncompromising right-wing ideologues. Instead, they fear Mr Livingston's biggest problem as speaker is likely to be the same as Mr Gingrich's: coping with those ideologues.

Although he opposes abortion, Mr Livingston has never had much time for the party's social conservative wing. And while they are unlikely to try to block his election as speaker, some may be tempted to use the party's narrow majority to hold him hostage on issues they are very concerned about, such as religious persecution in China and a proposal to ban late-term abortions. If that happens, it will take all Mr Livingston's much-vaunted skills to push through the Republican legislative agenda on more mainstream issues like education and healthcare.

"Revolutionising takes some talents – many talents – [and] my friend, Newt Gingrich, brought those talents to bear and put the Republicans in the majority," Mr Livingston said as he explained why his speakership would help Republicans reverse their political fortunes. "Day-to-day governing takes others. I believe I have those talents." He does – but given the level of internal dissension in his party, he may need the knife as well.

High street blues

Can countries talk themselves into a recession? Christopher Adams examines the influence of consumer confidence surveys in Britain

Place your faith in consumer surveys and it is clear the economy is heading for recession.

Recent reports show confidence among high street shoppers at a three-year low. If the latest survey from GfK, a polling organisation which monitors consumer confidence for the European Union, is to be believed, we have become cautious spenders, frightened by scary headlines and gloomy predictions of a global economic slowdown, venturing out only to buy essentials, and resisting more expensive luxuries. The GfK report shows consumer confidence has experienced an almost unbroken decline since May.

Reports such as this are becoming increasingly influential. Some members of the Bank of England's monetary policy committee argue that the forward-looking information gleaned from consumer polls can be more reliable in predicting future economic trends than the Bank's own official historical data.

In fact, the latest cut in base rates may have been influenced as much by domestic consumer pessimism as by concerns of a global economic slowdown.

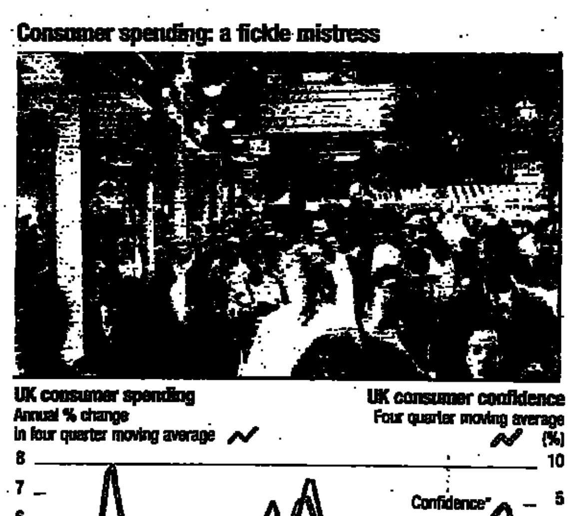
This is not surprising. Consumer expenditure accounts for nearly three quarters of total spending in the UK economy, with government spending, investment and net exports making up the balance. Confidence surveys, therefore, can be a credible guide to the future direction of retail sales.

"It is discretionary spending that tends to move the cycle in consumer expenditure," says Sudhir Junankar, associate director of economic analysis at the Confederation of British Industry.

According to GfK, sales of large domestic appliances have begun to fall. And it is not just electrical goods that are suffering. Marks and Spencer reported a steep slide in profits last week.

"People are buying less of everything, but particularly big ticket items like furniture," says David Norgrove, divisional director of strategy at M&S. "Clothing sales have deteriorated too."

Consumer spending: a fickle mistress



Sources: Goldman Sachs; Datastream/ICV * Latest figure Oct 1998

Consumer surveys have often proved to be effective as leading economic indicators. During the late 1980s, a sharp downturn in consumer confidence preceded a similarly steep decline in retail sales, which helped push the UK into recession.

It is not difficult to see why there should be a correlation between sentiment and spending. "Confidence is a reflection of how people feel about spending. It should capture everything in a single summary measure, whether it's expectations about income, worries about job insecurity or other precautionary motives," says David Walton, economist at Goldman Sachs.

However, there may be a case for treating consumer confidence surveys with caution. There is a striking contradiction in GfK's most recent findings, which it makes no attempt to explain: while consumers have become much more pessimistic about the direction of the economy, they are not nearly so worried about their own finances.

One would expect consumers to be far more concerned about job security and personal finances if they were really as worried about the economy as the GfK survey suggests.

How can one make sense of such apparently contradictory beliefs?

Firstly, it must be said that consumer confidence indicators are notoriously volatile. While they have predicted the big downturns with accuracy, there have been times when the graphs that track the correlation between sentiment and spending pointed to slowdowns that did not happen.

For example, Britain's exit from the European exchange rate mechanism in 1992 was accompanied by a steep slide in confidence, but actual spending continued to rise.

GfK's headline indicator needs to be set in context too. While it has slumped to minus 9, from plus 7 six months ago, the negative figure does not mean confidence is below the historical average, which Goldman Sachs says is closer to minus 10.

And while the rapid rate of decline is worrying for growth prospects, it need not be interpreted as a signal the economy is sinking towards recession.

The main reason for this is that the economy appears to be in a better state now to avoid recession than it was prior to the last slump in the early 1990s.

Both personal and corporate finances are stronger than in the run-up to the last recession, while the recent burst of growth has not been as strong as previous booms, suggesting that an economic slowdown next year may not be as severe.

Moreover, the savings ratio, which measures the amount saved as a percentage of real personal disposable income (RPDI), has not fallen as much as it did during the spending bonanza of the late 1980s.

Savings totalled 9.1 per cent of RPDI in the first quarter of this year compared with 6.9 per cent in 1989 and 8.2 per cent in 1990, when consumers were borrowing heavily. The lower the number, the more vulnerable consumers are.

Ben Sanderson, an economist at Nottingham Trent University, suggests that consumer confidence may have been buoyed by temporary forces, particularly the Labour party victory in the 1997 general election, and windfall payouts from demutualising building societies and life assurers.

The recent downturn, he believes, could be a delayed reaction to the tightening of monetary policy which began two years ago. The GfK index, he points out, was already falling when financial and economic turbulence in the rest of the world hit newspaper headlines.

So perhaps it is unwise to pay too much attention to what consumer polls show, at least in isolation. Andrew Dilnot, director of the Institute of Fiscal Studies, an economic thinktank, says the effects of swings in sentiment are difficult to judge. It will take time before economists understand them better.

Mr Sanderson says: "I don't think it's likely we'll talk the economy into recession. The way people react to rising interest rates and what is in their pay packet has a bigger effect than what they see in newspapers."

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The US and EU go bananas

It has been clear for some time that the world trade system is entering a difficult period. It had seemed the challenge would be to restrain a protectionist reaction to cheap imports from battered emerging economies. But even before that threat fully materialises, the US and Europe have put the system on trial by staging a showdown over – of all things – trade in bananas.

The political heat generated by the dispute is out of proportion to its economic significance. Both parties' conduct is, for different reasons, deeply irresponsible. Unless they come quickly to their senses, they risk doing immense damage to multilateral trade, when stability is vital to global economic recovery.

The immediate crisis stems from the US threat to retaliate against the EU's banana import regime by unilaterally imposing sanctions on European exports. Washington claims the EU has failed to bring the regime into line with a World Trade Organisation disputes ruling that it violated world trade rules.

The US may have a case. But its methods are reprehensible. To impose unilateral sanctions that would almost certainly breach WTO rules would surely undermine the very body whose authority Washington purports to defend. Furthermore, US motives are highly suspect. It grows almost no bananas. Nor is it much concerned for the Latin American exporters against which the EU regime discriminates, in favour of African, Caribbean and Pacific (ACP) producers. Its stance is dictated largely by fear of Congress and the lobbying power of Chiquita Brands, the politically well-connected US banana distributor.

Washington's intemperate behaviour has handed the EU a political gift it scarcely deserves. The changes which the EU is making to its banana regime in response to the WTO ruling are so minimalist that even some EU members doubt whether they comply. At best, the reforms may reduce the monopoly profits on which European middlemen, lawyers and lobbyists have long gorged, at the expense of the ACP countries that the regime is supposed to benefit.

EU efforts to justify the scheme on development grounds are also hard to reconcile with its restrictions on exports by producers in poor Latin American countries. Furthermore, although the arrangement's future has long been in doubt, the EU has done little to prepare the beneficiaries for its eventual demise by helping them diversify their economies. Rather, it has encouraged them to assume it will continue indefinitely.

The US is entitled to challenge the EU's interpretation of the WTO ruling. But it should do so by bringing a fresh WTO complaint. That is the only legal way to do things. It would also require the WTO's appellate disputes tribunal to spell out in greater detail how its decisions should be implemented. Lack of precision on that point has inflamed the current dispute.

The tribunal may have fudged the issue in this and other hard cases in the hope of limiting political controversy. But if the rule of law is to be respected, and WTO authority strengthened, greater judicial clarity is needed. It will not be achieved by reckless threats of unilateral sanctions that could bring the WTO to its knees.

Shopping spree

Governments are not usually in the habit of handing out gifts to their populace. Japan, though, continues to defy the rules. Next January, selected families will be given free shopping vouchers. And the vouchers carry a catch – an expiry date, which the government hopes will send consumers rushing to the shops, providing a much-needed boost to the sagging economy.

Ingenious as the plan sounds, its economic impact is likely to be minimal. The amount of money being handed out – vouchers of Y20,000 ($165), to be given to "needy" families only – pales into insignificance compared with the strong deflationary winds battering Japan's economy. And the vouchers will probably be used mainly to replace spending that had been planned anyway.

But for Japan's ruling Liberal Democratic Party, the economic effectiveness of the plan is somewhat beside the point. Much more important are the political gains. The voucher scheme was first dreamed up by the opposition New Komeito party. By partially accepting its demands, the LDP hopes to gain its support, helping the LDP to push through other, far more important pieces of legislation – including the next fiscal package, to be announced this month.

Whatever schemes the government comes up with, there is no avoiding the simple truth that Japan's consumers will start spending again only if they really believe that the politicians have a grip on the economy. This plan will do little to persuade them.

The new muddle

With his inaugural speech to the Bundestag yesterday, Gerhard Schröder, Germany's chancellor, returned to the incremental, centrist themes that characterised the early stages of his election campaign. Gone was the redistributionist rhetoric associated with Oskar Lafontaine, his finance minister. In its place were pledges of step-by-step reform of the tax and social security systems, and an overarching promise to cut unemployment.

As a first step for the new coalition of Social Democrats (SPD) and Greens, it is unexceptionable. But in itself it will do little to solve Germany's underlying economic problems. The hope must be that this is just the start of a series of changes to taxes, benefits, the public sector and the labour market. The worry is that Mr Schröder has provided so little detail. His "new centre" remains tantalisingly vague.

Contrary to the near-hysterical reactions to the new government from business and sections of the German press, however, a case can be made for its first moves. On tax, it has set out to lift the burden on ordinary families by increasing revenues from companies – increasing the system's transparency and broadening the tax base. Mr Schröder has also proposed new taxes on energy use, with the proceeds going to reduce taxes on labour.

If these measures are open to criticism, it is that they are too modest. A net DM15bn (£5.30bn) reduction in personal taxes by 2002 will not produce a significant boost to demand. The proceeds of the proposed environmental tax are not sufficient to make a big impact either on energy use or on excessive non-wage costs of labour.

Mr Schröder is aware that he risks disappointing some of the more enthusiastic expectations surrounding his government. His speech yesterday was full of warnings that he could not be expected to deliver on all fronts immediately – and of intriguing hints at structural reform.

The charitable interpretation is that he is playing a long game. Many of his ideas – greater personal responsibility for pensions, for example, or enhanced labour flexibility – are deeply controversial within the SPD. Protracted debate will be needed before concrete plans can be tabled.

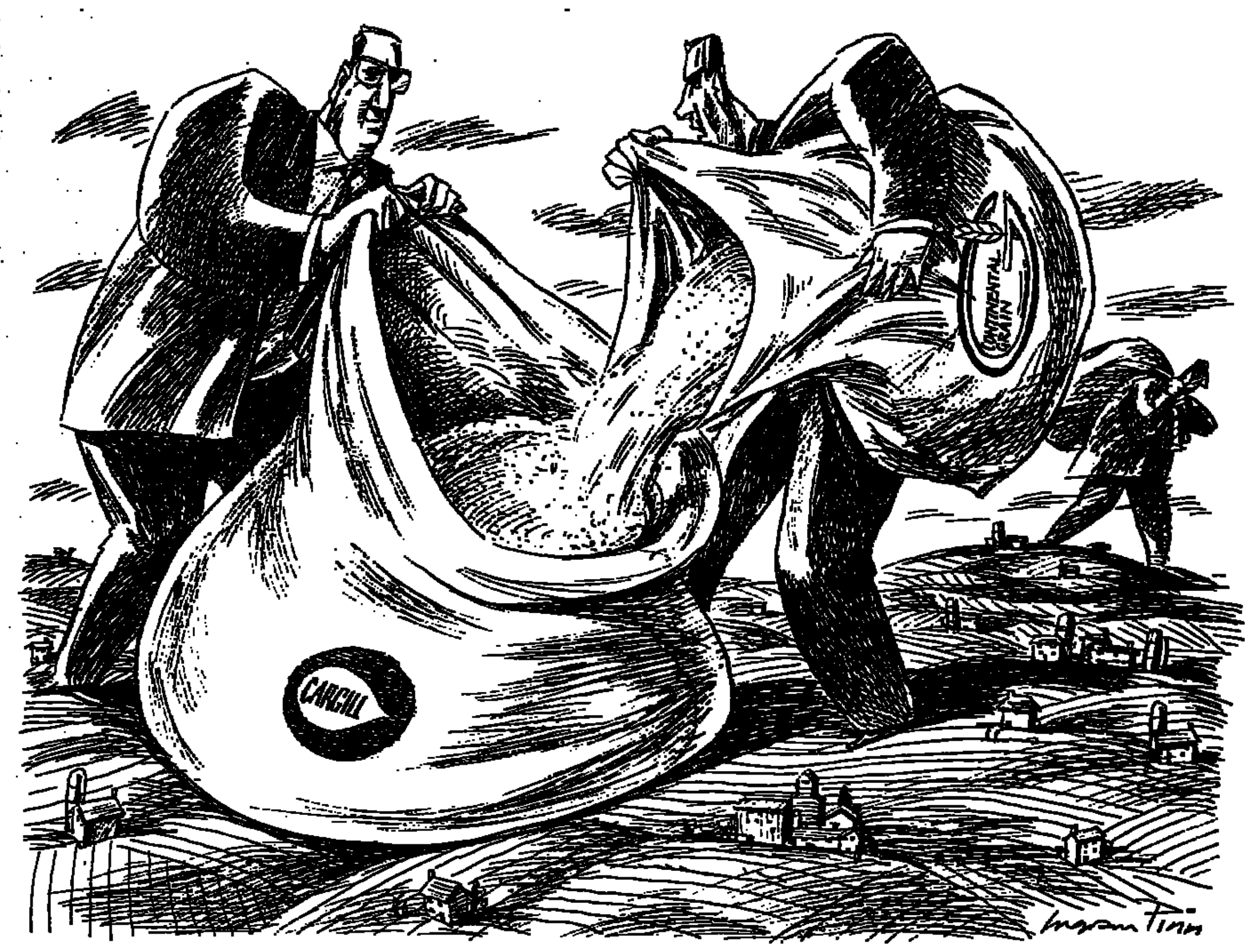
Mr Schröder has some points on his side. First, as he underlined yesterday, his government has embarked on tax reform – in contrast to his predecessor Helmut Kohl, who talked a lot about the subject but achieved little. The SPD's control of both houses of parliament gives it a better chance of making progress.

Second, Mr Schröder is establishing a forum, the Alliance for Jobs, in which government, employers and unions can discuss the trade-offs necessary to encourage job creation. Business scepticism about this framework is understandable – not least in view of current union plans for inflated wage demands. But it would be wrong to write off the effort in advance.

The most important fact, though, is that Mr Schröder has unequivocally tied the fate of his government to reduce jobless queues. He knows this cannot be achieved simply by bullying the European Central Bank into cutting interest rates. Deep-seated structural reform is needed. There is at least as much chance of achieving it under Mr Schröder as there was under Mr Kohl.

Grain barons of the world unite

Two of the 'Big Five' cereal traders are joining forces. **Nikki Tait** and **Will Lewis** look at the background to this secretive but most basic of businesses



Drive down a country backroad on the outskirts of Minneapolis, and a discreet low-slung building is barely visable amid carefully landscaped grounds. From the road, it looks like a well-to-do private residence. In reality, it is the headquarters of the US's biggest private company. It has annual sales of over $51bn (£30.70bn) and more than 80,000 employees. Its name is Cargill.

Welcome to the shadowy, often secretive world of grain-trading. For decades, five private companies have dominated the international trade of this most basic of businesses. Cargill is the biggest and it is buying the grain assets of one of the others, Continental.

Despite its scale and dominance, the Minnesota-based company (still controlled by the Cargill and MacMillan families) is about as low-profile as its headquarters. It reports sketchy financial data, and rarely comments in any detail on its activities. Speculation earlier this year that it might have lost up to $200m on trading activities in Russia, brought only a polite admission that "as a global company, Cargill is not immune from the financial turmoil which has engulfed much of the world".

In similar vein, this week's news that Cargill will acquire the Chicago-based grain-trading activities of Continental – a deal that seems certain to attract the attention of anti-trust authorities – was shrouded in a few vague comments. Financial details were conspicuous by their absence.

This reticence is typical of the industry. By the 1970s, grain-trading worldwide had come to be dominated by the "Big Five": Cargill, Continental, Cook Industries, Louis Dreyfus, and South America's Bunge. They were family businesses, and all shied away from the public spotlight. "Private ownership has been the rule in the grain-trading industry, which is an industry with a passion for secrecy," comented Wayne Broehl, in his history of Cargill.

Today, Cook Industries has fallen by the wayside, but its place has been taken by Archer Daniels Midland, an Illinois-based agribusiness group that has expanded hugely. Unlike most of its rivals, ADM is a quoted company, but outside observers might wonder how much difference this makes. The company is notoriously uncommunicative, and critics claim that it is run largely as the personal fief of Dwayne Andreas, its septuagenarian chairman.)

The reasons for this low-profile have something to do with the way in which the industry was formed, and something to do with the way it works. Cargill was founded in the late-1800s, by the son of a Scottish sea-captain, who started out with small-town grain buying business in the Midwest but quickly expanded to operate elevators along the nation's expanding railroad network.

Even in those relatively early days, information about farm conditions, customer supplies, and market positions were closely-guarded secrets, in turn supplying the key to trading profits. In 1937, Cargill had a notorious battle with the Chicago Board of Trade over allegations it was attempting to corner the corn futures market. A similar skirmish over rye-trading followed a few years later.

Battles with the regulators are not things of the past. ADM is only just surfacing from a notorious case in 1995 which saw it – together with three other Asian companies – admit to price-fixing in the $600m-a-year market for lysine, a corn-derived amino acid that is added to animal feed. A year after the Federal Bureau of Investigations raided ADM's offices, the company reached a plea agreement with the Department of Justice, agreeing to pay a $100m fine - at the time a record criminal anti-trust penalty.

Continental, smaller than Cargill with sales of around $16bn, has marked similarities. It, too, been a family business for over a century, owned and run by the Fribourg family. The Fribourgs shifted the company's base from Paris to New York five decades ago and were instrumental in opening grain-trading with Russia, a business that became hugely important for all of the "Big Five".

Shadowy though the grain-trading world may be, it has not been immune to many of the dynamics shaping other industrial sectors. The world's changing political climate – and the loss, in particular of the Soviet Union as a major, monolithic customer – has brought big changes for the large trading firms. "You're no longer dealing with one customer," noted Cargill, yesterday. "Margins may still be a penny or two a bushel, but you're dealing with a much larger number of customers. It's much more complex".

Technology, too, is threatening to alter the industry's structure significantly. In the past, farmers grew a commodity crop and sold to it to the grain-handlers. Now, as agricultural biotechnology advances, it is possible to "contract grow" crops with specific characteristics, for a particular end-user.

A farmer might grow high-oil soybeans for use by a specific food-processor. As a result, the business is becoming more capital-intensive and many analysts think the food production chain will become increasingly integrated.

So rationalisation is running through the agricultural sector, as everyone from small farmers to traders recognises the need to focus operations. "Each generation has to chart its own course," said Paul Fribourg, Continental's chairman, yesterday. "This is just another step in the general evolution of the industry towards the integration of grain and grain processing".

Cargill is a case in point. It sold its international seed operations to Monsanto in a $1.4bn deal last June, and followed this with the sale of North American seed business to Europe's AgrEvo, for $650m in recognition that it was unlikely to be a serious contender in the biotechnology field itself.

But the company has been simultaneously expanding its processing operations, partnering Dow Chemical, for example, in a joint venture to develop and market agricultural-based polymers derived from the likes of corn or sugar beets.

Yesterday, Ernest Micek, the company's chairman, said that the combination of population growth, rising income and new technologies was "transforming the food system". Adding Continental's 65 US grain-trading facilities and 21 units overseas to Cargill's existing 400 would "fill in our network".

Root of the problem

The background to the proposed deal between the great grain traders is some of the lowest prices for years. In the late summer, grain prices hit seven-year lows, squeezing traders' margins and farm incomes. It is possible that this decline may have hit bottom: since September, wheat futures have jumped 25 per cent. Whether this rise will prove enough to offset the is difficulties that have beset farmers and grain businesses on world market is a moot point.

The grain market has suffered from two pressures. First came some the largest harvests in history, pushing up stocks in many countries. Second, economic problems in Asia – and more recently Russia – have brought forecasts of a fall in demand.

A record US soyabean crop forecast, following a favourable growing season for the big south American producers, pushed soyabean prices to their lowest since 1994, and well below the annual average price seen for the past decade.

In the wheat business, flooding in China could have restricted production and boosted imports. Instead, the main impact was on cotton, rice and soyabean crops. Large stocks meant that the country's imports rose less than expected. Hence the fall in wheat prices.

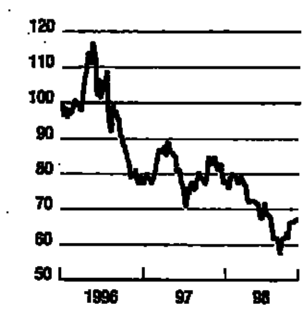
By September, the benchmark wheat futures price on the Chicago Board of Trade had fallen to around 250 cents a bushel, its lowest since the beginning of 1991. Among coarse grains – which include barley, maize (corn in the US) and rye – large stocks in the US and weak international demand kept prices low.

US farmers have long depended on overseas markets. The portion of domestic production exported is between 35 and 55 per cent for soyabeans, rice, cotton and tobacco, according to the US Department of Agriculture. It is higher for wheat, at between 55 and 65 per cent, and 20-30 per cent for corn.

For the moment, the big grain exporters are hurting but have not been seriously damaged. In the US, farm incomes have fallen by one-fifth since 1996; but this year the harvest has been so good that it has offset the impact of lower prices. In Europe, which accounts for 8.5 per cent of world wheat trade, farmers are cushioned against falling prices by government support and the European Union's Common Agricultural Policy.

Analysts think grain prices were undervalued in the summer, and the recovery of the benchmark wheat futures price in the past few weeks appears to bear their view out. "Demand has remained strong despite the perceptions about Asia," one analyst said yesterday. "It's clear that the market exaggerated the impact of the crisis."

Grain prices
CRB Grain index (rebased)



Sources: Commodities Research Bureau; Datastream/ICV

Paul Solman

OBSERVER

Cargill goes against the grain

You've got to admire Cargill. The enigmatic foods empire has spent years moving away from the grain business. The result is a fertiliser to financial futures combine as diversified as it is secretive. So where does Cargill place what could be its biggest single bet for a generation? In the very business where down-home grain merchant William Wallace Cargill started out in 1865.

Of course buying Continental Grain's US trading business is a gamble. But it's not the first time the men from Minnesota have dived head-long into a market when everyone else is climbing out. Cargill-watchers point out that John MacMillan junior, WW Cargill's grandson, invested like crazy during the great depression on the grounds that things could only get better. In the 1980s, under Whitney MacMillan, unfashionable soya beans were added to the mix.

Although clam-like Cargillites don't say much to outsiders, if pressed they argue that the company's status as a private company – another contrarian call – let's it take a long view. The question facing chairman and chief executive Ernest Micek, in the hot seat since 1995, is whether the founding family shareholders are as patient as they used to be.

Micek, a 62-year-old chemical engineer, is only the second non-family member to run Cargill in its 130-year history. He won't be able to rely on kinship if things turn sour.

Orange crush

It's only six months since French retail tycoon François Pinault acquired Christie's auction house – but he's already developed a taste for saleroom wheeler-dealing. In New York on November 19, Pinault is selling "Orange Marilyn", one of Andy Warhol's many images of Monroe. The polymer on silkscreen carries an estimate of between $2.8m and $3.5m.

The surprising fact is that Pinault only acquired his Marilyn this summer – for a reputed $2.7m – despite the fact that Christie's experts tell prospective buyers to hang on to art for years in order to turn a profit.

So will Pinault make a fast buck? Well, publishing tycoon SI Newhouse achieved a whopping $17.3m earlier this year when he sold his (admittedly much larger) "Orange Marilyn". Pinault must be hoping the underbidders are still in the frame.

Trigger happy

What to make of political chameleon Hugo Chávez Frias? Six years ago the former paratrooper wore a military red beret when he tried to take Venezuela's Palladian presidential palace by force. Now he's swapped his combat fatigues for a suit and tie and, following a tactical victory in Sunday's congressional and gubernatorial elections, has a good chance of getting into the Miraflores palace via the ballot box.

Foreign investors are none too thrilled at the prospect. But the man with a quotation for every occasion will be fighting hard to win them over between now and the presidential election on December 6. Chávez, 44, sprinkles his speeches with Milton Friedman and Adam Smith when the occasion demands – though in the shanty towns he's more likely to invoke independence fighter Simon Bolivar and the Bible.

Chávez has yet to hold public office of any kind, but he's already doing his best to put in place a political dynasty. One of the more curious results from Sunday's poll left Chávez's father, a greying former high school teacher, as governor of his son's home state of Barinas. All without a shot being fired.

Waddle twaddle

If it walks like a duck and quacks like a duck, then it must be a duck – unless you're Polish, that is. Ask Cherry Valley, the British duck breeder that won a plump contract to supply truck-loads of the little quackers to Polish farmers.

So far so good. Until the Polish authorities got into a flap and demanded that the ducks should be put through their paces at an independent Polish test station. The problem is that Poland doesn't have any duck-testing facilities. And no-one could explain how ducks should be tested even if it did.

The story came to light courtesy of a UK parliamentary committee that's been looking at conditions for fair trade between the European Union and the countries in line to join during the first wave of EU enlargement.

The committee concluded that wily Polish bureaucrats were simply trying to protect state-subsidised duck-breeders from foreign competition. Waddle they think of next?

Herratum

A wince-making correction in the latest English-language edition of Finanzplatz-News, a slightly dull but worthy publication dedicated to promoting Germany as a business and financial centre.

A translation error was responsible, it explains, for the bold claim in a previous edition that "the differences between London and Frankfurt at the moment are relatively clear-cut in favour of Frankfurt".

The correct version? "The differences between London and Frankfurt at the moment are relatively clear-cut to the disadvantage of Frankfurt."

The Financial Times

100 years ago

French Amour-propre
We have on previous occasions referred to the firm conviction held by the French that their colonies exist only for the benefit of the mother country, but it would probably be impossible to give a more striking illustration of the lengths to which the Gallic official will go than an instance recorded by the United States Consul for Madagascar. General Galliéni, who apparently has a full share of the national antipathy to anything not of French origin, was last year scandalised at some of the native officials appearing before him in garments of American manufacture. This was not to be borne, and he protested to the Governor-General.

50 years ago

Congressional Change
Washington, Nov. 10. An important immediate consequence of President Truman's victory and Democratic control of the next Congress, accompanied by the defeat of many isolationists, is that Administration officials are speeding preparatory work for submission to the next Congress of various international agreements.

FINANCIAL TIMES
WEDNESDAY NOVEMBER 11 1998

THE LEX COLUMN

Going with the grain

Tough times in the grain industry are separating the wheat from the chaff, so to speak. After 185 years in the business, New York's Continental Grain is selling its grain trading operations. Bulking up is Cargill of Minnesota, a scarcely less venerable 132 years old and already the world's largest grain exporter.

Continental's decision is understandable. Wheat prices have dropped to a seven-year low as bumper harvests in Europe and America have run into slumping Asian demand.

Moreover, Continental was in a weak position since it had missed both the critical industry trends of recent years: the move to integrate trading and storage with processing and milling, as Cargill and Archer-Daniels-Midland have done; and the advent of genetically engineered crops. To catch up would have required heavy investment. Instead, Continental will use the disposal proceeds to expand its successful livestock operations.

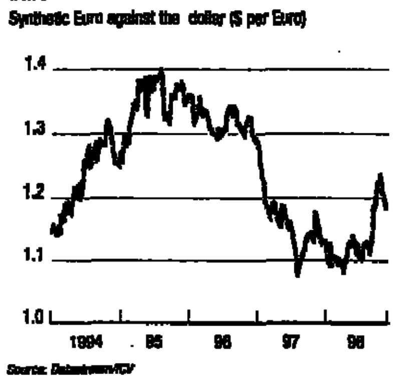
For Cargill this is a straight consolidation, bringing it strength in the Kansas wheatbelt and the southern US. Since both are private companies, few details are available. The companies claim a combined US market share of only 10-13 per cent, but the anti-trust authorities will still want to take a close look. Having said that, grain – like oil – is a commodity industry where even huge, integrated companies are regularly bowled over by swings in demand and supply.

Euro

The dollar's recovery from last month's market panic looks to have run into another ambush – the brewing EU-US trade war. This is unlikely to impede its recovery against the yen, but raises fresh questions about its strength against the euro. Normally the dollar/D-mark rate reflects interest rate differentials. Currently, these favour the D-Mark/euro as US rates fall while core European rates remain on hold.

The trade dispute is the new factor: usually Japan is the target of US trade-bashing. But with Europe's current account surplus of a similar size to Japan's, the focus has shifted. The US, like the left in Europe, would like to see a demand stimulus. If it gets it, the European Central Bank will be more likely than ever to stick to its interest rate guns to compensate for easier fiscal policy. If it does not, a protectionist domestic mood will encourage the US to use a weaker dollar to chip away at the sensitive current account deficit. Either way, short-term factors favour the euro. And with the US economy slowing, the stakes can only rise.

Euro
Synthetic Euro against the dollar ($ per Euro)



Source: Datastream/ICV

Longer term, there is also a respectable structural case for the euro being a "strong" currency. But these factors will take years to have an effect. In the interim, the risk is that the leftward switch in Europe's politics will attach a risk premium to the euro. Right now, though, a reappraisal of the strong dollar may trump this concern.

UK investment

The UK seems to come either top or bottom of the class, depending on the investment criteria. It scores highly on attracting foreign direct investment. But if UK assets are attractive to inward investors, they do not seem to be similarly so to UK-based companies which, according to a recent report, invest less in capital per employee than companies elsewhere in Europe or the US.

Of course, the two statistics do not capture the same information. A significant proposition of FDI takes the form of merger & acquisition activity, which will often include companies rich in intangible rather than physical assets.

Nevertheless, there are some industries – take semiconductors or automotive – where foreign companies have spotted opportunities that UK managers have not. This could be because their hurdle rates on investment are lower or because they can extract better returns through bigger economies of scale or expertise. But UK companies are also deploying their competitive edge abroad, hence UK outflows are actually larger than inflows.

Relatively low productivity in the UK is not harming inward investment – thanks to low labour costs and the UK's place in Europe. Could the position be further enhanced by improving capital investment? Labour productivity may indeed receive a boost if more capital is thrown at workers. But this may come at the expense of capital productivity – where the UK currently scores quite highly – if it is not accompanied by an improvement in other factors, such as the skills base of the workforce.

PricewaterhouseCoopers

Self-regulation appears to be working nicely among the Big Five accountancy firms. If PwC ever deluded itself that it could reap all the benefits of scale from its merger with none of the costs, it must think again.

Abbey National's decision to ditch it on concerns over its cumulation of banking and assurance audits will hurt. Most obviously it will lose the nearly £7m ($12m) in audit, tax and consultancy fees shelled out by the diversified mortgage lender in 1997. But the greater worry is that, with PwC still bean-counting for nine of the FTSE 100's 20 banks and insurance companies, Abbey may be just the first to flee the nest.

Given that PwC audits the accounts of 47 FTSE 100 clients and a further 98 of the next 250, it has much to lose. Allaying fears that it is too big to ensure high levels of service is essential if the likes of Ernst & Young and KPMG, whose own merger was abandoned on fears of regulatory interference, are not to pick off more PwC clients.

True, the cost of switching auditors and the lack of new entrants into a market relatively insensitive to price competition means PwC's leadership is well established. But Abbey's move is a welcome wake-up call to the complacent and a necessary boost to competition.

When catastrophe can be the catalyst for change

James Wilson and **Richard Lapper** report from Honduras

Manuel Amaya trudges back and forth across the remains of Tegucigalpa's Mallol bridge, salvaging precious crates of rum and whisky from the mud-filled remains of his restaurant.

Below him the Choluteca river is hardly moving. The familiar trickle has turned into a deep, brown, fetid lake behind a dam of mud, cars, homes, corpses and other debris.

Mr Amaya's Cafe Real was one of thousands of businesses and homes destroyed by the floods that followed Hurricane Mitch. The storm killed an estimated 10,000 people.

Ten days after the disaster struck, the lake in Tegucigalpa has prompted a bout of national soul-searching. Many believe that Mitch's murderous passage has exposed human and institutional weaknesses in Honduras, one of the region's sleepier societies.

"Unprepared" ran the headline of a leading Tegucigalpa newspaper yesterday, scolding political leaders for failing to learn the lessons of Hurricane Fifi, the last big natural disaster which struck the country in 1974.

Despite four days warning, Mitch caught the country off-guard. Stocks of water and food were low. Medical reserves, trucks and cars were inadequate and there was no serious emergency plan, claims La Tribuna.

Hapless lethargy is visible in some of the country's response to the disaster. At one spot, where the entire neighbourhood of Soto slid downhill into the swollen river, police set a cordon to stop sightseers. Bored officers shrug at the crowds swarming behind the line.

Inside Tegucigalpa's shabby ministry of health offices, a poster proclaims: "Should disaster strike, be prepared". But the official advice, spread through a travelling exhibition two weeks before Mitch tore through the country, was ignored. "Few people turned up," said campaign organiser José Ramón Cruz.

Near the Choluteca river, two much-needed excavators stand idle for lack of fuel in another reminder of how Honduras, one of the world's poorest countries, does not possess the resources to fight back. That is why Hondurans welcome the international response to the disaster, including the offer from France to write off all outstanding bilateral debt to Honduras and neighbouring Nicaragua.

Many Hondurans argue that the hurricane should be a catalyst for change. "Mitch can be a teacher," said Juan Pablo Rubio, a retired philosophy professor working on the government's disaster response committee.

Lax planning rules and poor environmental controls have been blamed for compounding the disaster. "The river rose because of all the sedimentation and the rubbish built up in the water courses," said Otoniel Alvarez, one of thousands of university students sent out to help with the clean-up. "The river could not go anywhere else."

Colonel Jorge Handal, staring at the space where his family's home used to stand in the middle class suburb of Prado, admits that Honduras has no option but to start again. "We are at zero," he says.

Further reports, Page 7

Japan's ruling party to issue shopping coupons to needy

By Gillian Tett in Tokyo

Japan's ruling Liberal Democratic party yesterday adopted a controversial Y700bn ($5.7bn) national "shopping coupon" scheme in a desperate attempt to boost the economy.

The LDP plans to give all "needy" families Y20,000 worth of coupons that can be exchanged for consumer goods in selected shops, Hiromu Nonaka, chief cabinet secretary, said.

The innovative policy, which will probably start in January, marks a last-ditch effort to force consumers to spend more in the shops.

Some politicians hope it could provide a more effective way to boost the economy than orthodox fiscal measures, as consumers appear to be saving, not spending, the results of any tax cuts.

However, an editorial in the Nihon Keizai Shimbun newspaper, the main financial daily, which often reflects official opinion, yesterday dubbed it "a ridiculous idea".

The scheme has triggered controversy in Japan, not least because many government officials suspect that it will be expensive and complicated to administer.

The shopping voucher scheme was devised by New Komeito, an opposition group, and initially criticised by the Liberal Democratic party.

However, the elections for the upper house in parliament in July have left the LDP dependent on New Komeito's support to push bills through.

LDP officials yesterday said they had told New Komeito they would adopt the voucher scheme next year, as part of a Y10,000bn supplementary fiscal 1998 budget due to be submitted to parliament next month. However, it will be more modest than New Komeito's proposal, officials said.

New Komeito demanded that every family should receive Y30,000 worth of vouchers. However, the LDP plans will only give Y20,000 worth of vouchers to families such as those with children under 15, members over 65, and to victims of the 1945 atomic bombing.

LDP politicians are also discussing additional stimulus measures. Mr Nonaka and Yoshiro Mori, LDP secretary general, have indicated they may consider demands from the Liberal party, another opposition group, for the Y10,000bn package to include a cut in the consumption tax.

This would represent a startling U-turn for the LDP, which raised the consumption tax from 3 per cent to 5 per cent in 1997.

Some LDP politicians, such as Kiichi Miyazawa, the finance minister, remain strongly opposed, but as the rise in the consumption tax is widely blamed for triggering last year's economic downturn, reversing it could prove popular among the population.

Editorial Comment, Page 13

CONTENTS

News
European News 2,3
American News 7
International News 4
Asia-Pacific News 8
World Trade News 6
UK News 10
Weather 14

Features
Editorials 13
Letters 12
Management/Technology 22
Observer 13
Arts 11
Arts Guide 11
Analysis 12,13

Crossword Puzzle 26

Companies & Finance
European Company News 19
Asia-Pacific Company News 18
American Company News 18
International Capital Markets 24

Markets
Bonds 24
Bond futures and options 24
Short term interest rates 25
US interest rates 24
Currencies 25
Money markets 25
FT/S&P-A World indices 33
Europrices 23
World stock markets reports 36
World stock market listings 33
London share service 30,31
FTSE Actuaries UK share indices 32
Recent issues, UK 32
Dividends announced, UK 21
Managed funds service 27-29
Commodities 26
FTSE Gold Mines index 32

Survey
Norway .... Separate section

Newt Gingrich (right), US House of Representatives speaker, with congressman Bob Livingston, who is tipped to succeed him. Page 7

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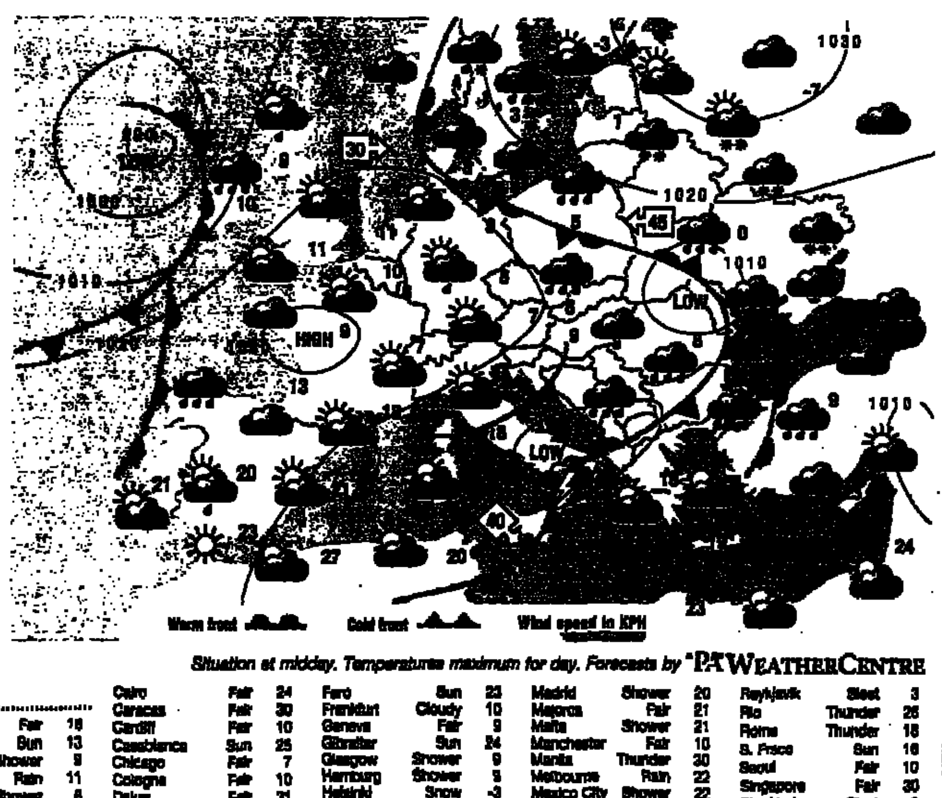
FT WEATHER GUIDE

Europe today
North-western and central areas will be fresh but mostly dry with sunshine and showers. Rain will spread into the northern Iberian Peninsula and the British Isles and then western France. There will be rain south and south east of Germany, some heavy over Poland and the Balkans. Rain will spread further east, preceded by snow. Southern Scandinavia will stay wet but the north and east will have snow showers. The western Mediterranean will be cool and mostly dry. Central and eastern areas will have heavy showers, some lengthy, with scattered thunderstorms.

Five-day forecast
The eastern Mediterranean will stay wet with heavy showers. However, heavy rain over eastern Europe will clear. Another band of rain will spread slowly east across western and central regions. Much of Scandinavia will stay below freezing.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	Sun	30
Accra	Fair	32
Algiers	Fair	27
Amsterdam	Fair	11
Athens	Fair	18
Atlanta	Shower	18
B. Aires	Fair	22
B.ham	Fair	10
Bangkok	Fair	33
Barcelona	Fair	18
Beijing	Sun	13
Belfast	Shower	9
Belgrade	Rain	11
Berlin	Shower	6
Bermuda	Thunder	24
Bogota	Fair	19
Bombay	Fair	34
Brussels	Fair	10
Budapest	Rain	9
C.hagen	Shower	6
Cairo	Fair	24
Caracas	Fair	30
Cardiff	Fair	10
Casablanca	Sun	25
Chicago	Fair	7
Cologne	Fair	10
Dakar	Fair	31
Dallas	Sun	20
Delhi	Sun	29
Dubai	Fair	31
Dublin	Shower	10
Dubrovnik	Thunder	16
Edinburgh	Fair	9
Faro	Sun	23
Frankfurt	Cloudy	10
Geneva	Fair	9
Gibraltar	Sun	24
Glasgow	Shower	9
Hamburg	Shower	5
Helsinki	Snow	-3
Hong Kong	Sun	26
Honolulu	Sun	29
Istanbul	Rain	15
Jakarta	Thunder	32
Jersey	Cloudy	13
Johannesburg	Fair	24
Karachi	Sun	33
Kuwait	Fair	32
L. Angeles	Shower	18
Las Palmas	Fair	26
Lima	Fair	21
Lisbon	Cloudy	21
London	Fair	11
Lux.bourg	Fair	8
Lyon	Fair	12
Madeira	Fair	23
Madrid	Shower	20
Majorca	Fair	21
Malta	Shower	21
Manchester	Fair	10
Manila	Thunder	30
Melbourne	Rain	22
Mexico City	Shower	22
Miami	Thunder	30
Milan	Fair	17
Montreal	Rain	10
Moscow	Cloudy	-7
Munich	Shower	7
Nairobi	Fair	26
Naples	Thunder	18
Nassau	Sun	29
New York	Rain	17
Nice	Sun	18
Nicosia	Fair	23
Oslo	Rain	4
Paris	Fair	11
Perth	Sun	36
Prague	Drzzl	6
Rangoon	Fair	32
Reykjavik	Sleet	3
Rio	Thunder	26
Rome	Thunder	18
S. Frsco	Sun	16
Seoul	Fair	10
Singapore	Fair	30
Stockholm	Sleet	3
Strasbourg	Cloudy	9
Sydney	Fair	25
Tangier	Sun	24
Tel Aviv	Fair	24
Tokyo	Fair	18
Toronto	Fair	8
Vancouver	Fair	9
Venice	Fair	16
Vienna	Shower	7
Warsaw	Rain	5
Washington	Fair	19
Wellington	Fair	18
Winnipeg	Snow	-1
Zurich	Fair	8

صكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Russia details bond repayment terms
Russia outlined how it proposed to repay foreign investors in its frozen treasury bill market, marking the beginning of the end of an issue that has damaged the country's credibility in international markets. **Page 24**

Czechs tackle bank privatisation

As neighbouring countries push ahead with privatisation, the Czech Republic's once-proud banking sector is falling behind in the race to prepare for European Union membership. Shares and profits of state-controlled banks have collapsed and the new government of Milos Zeman (left) has accepted it will have to take on some of their debt before it can sell them off. **Page 19**

Greek gold mine to be developed
Thracian Gold Mines, an Athens-based exploration company, plans to develop an epithermal gold deposit discovered in north-eastern Greece. The deposit at Lofos Perama, east of Kavalla, contains at least 11.2m tonnes of ore with an average gold content of 3.5 grams a tonne, the company said. **Page 26**

Dollar's rise against yen slackens
The dollar consolidated recent gains against the yen. But it failed to mount a convincing move above the psychologically important Y120 barrier, closing at Y122.5 in London. **Page 25**

Futures trade in emissions quotas
The Sydney Futures Exchange is planning to launch a market in permits to emit greenhouse gases to take advantage of legislation being drafted by the Australian state of New South Wales, which will establish tradeable emissions quotas under the Kyoto accord. **Page 24**

IMF deal hopes boost Karachi stocks
Pakistan's share prices rose 10.5 per cent, driven up by expectations of an imminent bail-out for the country's cash-strapped economy from the International Monetary Fund. **Page 36**

India bans potato exports
The Indian federal government has banned the export of potatoes after a sharp rise in prices in the world's fifth largest producer. **Page 26**

Consolidation the LSE watchword
There was increasing anxiety in London's equity market with share prices extending Monday's weakness. Dealers argued the market had over-reached itself and, at best, a period of consolidation was now in prospect. **Page 32**

Tobacco growers reduce crop
Tobacco growers are reducing the amount of the crop they plant as profitability is hit by an over-supply and falling prices. **Page 26**

COMPANIES IN THIS ISSUE

3M	4	ICN Pharmaceuticals	19
Abbey National	14,21	IPB	19
Air Products	4	Intel	7
Amazon.com	20	J.P. Morgan	15
Atlantic Richfield	16	Komercni Banka	19
BASF	15	Konami	18
BP	4	London Electricity	21
Bank Austria	19	Lonrho Africa	21
Barnes & Noble	20	Merck	4
Baxter International	4	Microsoft	7
Bayer	15	N2K	20
Bethlehem Steel	6	NEC	15
Blakeney	21	Nintendo	15
Boeing	4	Nippon Life	19
Booker	21	Nissan Motors	18
Brierley Investments	18	Oriflame	21
British Energy	21	Patriot American	16
CD Now	20	Pfizer	4
CSOB	19	PolyGram	20
CWC	21	Postbanken	20
Cargill	14, 15	Raytheon	15
Ceska Sporitelna	19	Royal Dutch/Shell	6
Chase Lat Am Equity	20	Ryanair	21
Christiania Bank	20	Scancem	20
Continental Grain	15	Seagram	20
Deutsche Bank	19	Sega	15
Deutsche Telekom	15	Seita	19
DuPont	21	Skanska	20
dF	21	SmithKline Beecham	4
ron	4	Softbank	18
so	19	Sonera	19
Entergy	21	Sony	15
Fokus Bank	20	Sprint	15
Fortum	19	Stora	19
France Telecom	15,19	Suzuki Motors	18
GE	6	Telecom NZ	18
GM	4	Tenega Nasional	18
Global One	15	Toyota	15
Handelsbanken	20	Triton Energy	16
Hicks Muse	16	USX-Steel	6
Hoechst	15	Vale do Doce	20
ICI	21	VideoLogic	15
		Wal-Mart Stores	16

CROSSWORD, Page 26

MARKET STATISTICS

Annual reports club	30,31	Emerging Market bonds	24
Benchmark Govt bonds	24	FTSE Actuaries share indices	32
Bond futures and options	24	Foreign exchange	25
Bond prices and yields	24	Gilts prices	24
Commodities prices	26	London share service	30,31
Dividends announced, UK	21	Managed funds service	27-29
EMS currency rates	25	Money markets	25
Euro prices	23	New intl bond issues	24
Eurobond prices	24	Recent issues, UK	32
Fixed interest indices	24	Short-term int rates	25
FT/S&P-A World indices	33	Stock markets at a glance	35
FTSE Gold Mines index	32	US interest rates	24
		World stock markets	33

BASF hits at German plan for energy tax rise

By Graham Bowley in Frankfurt

BASF, Germany's biggest chemicals group, yesterday attacked the new German government's proposals for higher energy taxes, warning that conditions in the chemicals industry would deteriorate sharply next year.

Jürgen Strube, chief executive, said chemicals prices had tumbled. The group was expecting a slowdown in European and US economic growth in 1999. BASF said third quarter sales fell 7.5 per cent to DM12.6bn ($7.4bn) and operating profit was roughly flat at DM1.3bn.

The warning is one of the clearest signals yet that the chemicals industry is entering a downturn. BASF said prices had dropped sharply because demand had dried up in Asia and the surplus had spilled on to world markets.

The results and the cautious assessment triggered a widespread retreat in German chemical shares, with BASF closing down DM2.40, or 3.6 per cent, at DM66.40. Bayer, which announces third-quarter results today, was off 3.9 per cent at DM64.80. Hoechst, which reports next week, fell DM3.70 to DM70.00.

Mr Strube, at a press conference in Frankfurt, hit out at the centre-left government's tax plans, which were "a cause for serious concern" and would put "a significant burden on industry and the chemical industry in particular".

Extra taxes could backfire by forcing companies to cut investment in energy-saving technologies. "The proposed taxation is a slap in the face for those seeking innovative, economical and less-polluting energy generation," he said, adding that BASF's main Ludwigshafen plant could be hit by additional energy costs of around DM130m a year.

Germany's coalition partners this week reached political agreement on the energy tax increases, which they require to finance cuts in state pensions contributions.

BASF said sales in Europe fell by 8.2 per cent. They were 14.3 per cent down in the Asia-Pacific region. The weakness of the US dollar exaggerated the declining price trend.

The group warned that pre-tax profit would fall in the fourth quarter but profits for the year would be slightly higher than last year's DM5.3bn. However, the group's target of 13 per cent return on capital this year would be missed, Mr Strube said.

Sales for the whole of 1998 would fall short of last year's figure because of declining prices and the weaker dollar.

The group said it could proceed with its planned share buy-back next year.

Adverse chemical reaction: BASF chief Jürgen Strube Reuters

Sprint launches a $5bn corporate bond

By Edward Luce, Capital Markets Editor

Telecoms offering testifies to return of risk confidence

Sprint, the US telecoms group, yesterday launched the second largest corporate bond offering in history in a clear sign that risk appetite has returned.

The $5bn bond, which attracted subscriptions of $12bn – the "largest book ever" according to an official at Salomon Smith Barney, the lead manager – is eclipsed in size only by the $6.1bn issued by WorldCom in August.

Sprint, which has an international alliance with France Telecom and Deutsche Telekom called Global One, will use the proceeds of the bond offering to refinance bank debt in the US. It expects to make savings of about $100m from the operation.

Officials reported significant demand from European investors but said the deal was strongly led by the big US fund managers. It reported orders last night from 300 separate accounts.

The bond, which follows the success of a $1.4bn offering by Raytheon, the US defence electronics company, and a $1bn offering from Toyota, the Japanese car maker, testifies to the turnaround in investor sentiment in the last two weeks.

Bankers attribute the improvement in market psychology to the rally in the US stock market after two successive interest rate cuts by the US Federal Reserve. Average spreads on corporate paper in both the US domestic and the eurobond markets have also tightened markedly as a result.

"Investors have taken comfort from the fact that the Fed did not want the credit markets to deteriorate further," said John Fleming, a senior official at Credit Suisse First Boston.

Some bankers were taken aback by the strength of demand for the Sprint offering yesterday, especially as it has a credit rating of just Baa1 from Moody's Investors Service and A minus from Standard & Poor's.

The largest investors, including the big US pension and insurance funds, had until recently taken refuge in the US Treasury bond market where the yield on the benchmark 30-year bond touched a low of 4.77 per cent in October. However, this has since widened to about 5.34 per cent. One banker attributed the minor sell off in the US Treasury bond yesterday morning to the effect of the Sprint offering on the market.

The bond, which was initially planned at $3bn, was divided into three tranches: a five-year $1bn portion; a ten-year $1.5bn tranche; and a 30-year $2.5bn offering. They were priced to yield 104 basis points, 124 basis points and 144 basis points over the US Treasury bond benchmarks respectively.

Cargill and Continental in grain merger

By William Lewis and Daniel Bögler in New York and Nikki Tait in Chicago

Cargill and Continental Grain said yesterday they were confident that US and European regulators will approve their proposed grain merger – one of the industry's largest.

The companies, two of the largest grain exporters in the US, confirmed details of Continental's decision to sell its global commodity marketing business to Cargill.

Both Cargill and Continental are private and terms of the transaction were not disclosed. However the companies, which are both highly diversified, did say that the deal includes Continental's worldwide grain storage, transporation, export and trading operations.

"We don't anticipate any [regulatory] problems," said Paul Fribourg, chairman and chief executive of Continental. Cargill said that the grain businesses of the two companies combined "handled 10-13 per cent of the grain sold by US farmers and a smaller percentage in other markets". This includes trading, storage and processing. Mr Fribourg argued that there will be "little geographical overlap, with Cargill strong in the northern mid-West and Continental's main presence in the Kansas wheatbelt, the lower Mississippi and New Orleans".

However experts said that both US anti-trust regulators – either the Justice Department or the Federal Trade Commission – and the European Commission were likely to probe the deal.

Continental has a total of 65 facilities in the US, ranging from grain-elevators to storage units, and a further 21 elsewhere. Cargill has about 400 facilities worldwide.

Analysts said they saw the deal as a watershed for the grain industry.

The trend towards vertical integration – bringing together grain trading and grain processing – was forcing leaders such as Continental, Cargill and Archer-Daniels-Midland to consider acquisitions, moving to niche activities or selling out.

The emergence of genetic engineering capabilities is further driving the consolidation trend in the farm sector, experts said. This technology, while in the longer term likely to increase yields and profitability, is currently requiring large-scale investment.

Continental is changing its name to ContiGroup. In morning trading on Wall Street, the stock price of ContiFinancial, the publicly-traded commercial and consumer finance company which Continental majority owns, lept $1 9/16 to $9.

Grain barons unite, Page 13
Observer, Page 13
Lex, Page 14

Troubled Sega in Dreamcast nightmare

By Paul Abrahams in Tokyo

Sega, the troubled Japanese computer games group, has serious production problems with its new Dreamcast console, which will seriously hit Christmas sales and could threaten its future.

The success of Dreamcast is critical to the company's survival after its previous generation product, the Saturn, was trounced by Sony's Playstation and the Nintendo 64.

The production difficulties involve a graphics chip designed by VideoLogic of the UK and manufactured by NEC, the Japanese electronics group.

It means supplies of the console will be limited to 50 per cent of original targets for its launch this month and during the important Christmas and New Year period.

Shoichiro Irimajiri, president, said he did not have any other plans if Dreamcast failed. Last year, the company reported non-consolidated net losses of Y43.3bn ($357.85m) on sales, down 24 per cent at Y271.5bn.

Mr Irimajiri said yields on the NEC production line were fluctuating between 20 and 40 per cent. This year the company would manufacture 500,000 units, instead of its 1m target. Full production would not be possible until February.

"The production shortfall is tough for Sega," said Mitsuko Morita, electronic games analyst at Morgan Stanley in Tokyo. "But the company is less exposed to the Christmas period than Nintendo, because the Sega age profile is higher and users are more likely to buy their own console."

Mr Irimajiri said he hoped the game would sell 10m units in Japan over the next three to four years. The group would break even with sales of 3m.

The product, which is powered by a 128-bit chip compared with Sony's 32-bit Playstation, is due to be launched in the US and Europe next year.

For the past five months Sega has been running television advertisements in which children tell senior Sega managers: "Sega sucks. We prefer the Playstation." The aim is to show how Sega has responded to such criticisms by producing the Dreamcast.

Mr Irimajiri said: "Sega may have sucked in the past. But Dreamcast outperforms everything on the market."

BARRY RILEY

The volatility gap

Volatility remains the big problem for the global financial markets. It does, though, have its positive side in the dramatic recovery in equity markets, to the extent that the World Index (in dollars) has rallied by 17 per cent in just over a month.

The dramatic change in sentiment has been documented by the latest Merrill Lynch global Gallup poll, which shows a dash from cash and a sudden shift in the opinion of US fund managers from bearish to bullish about Japan and the Pacific Basin. The bearish Merrill strategists huff that the fundamentals always win in the end – but not, it appears, in the beginning, or even in the middle.

It is interesting that US fund managers only expect 2 per cent earnings growth in 1999, against the 18 per cent which the sell side analysts are still pencilling in. Clearly the analysts need not try so hard. The money managers seem to contradict themselves, though, in being bullish overall on the US stock market while simultaneously believing that stocks are overvalued.

An oddity is that the stock market rally has coincided with a strong rise in Treasury bond yields of some 60 basis points since early October. This year Treasuries have markedly underperformed government bonds in Europe.

And despite a modest rally, credit bond markets remain in crisis. Spreads continue to be extraordinarily wide by historical standards and many corporate bonds remain almost untradeable. The relative weakness of US Treasuries may, in part, reflect the pressure on overleveraged investors to sell in the only market where there is still liquidity.

Continued extreme volatility in equities may be an important factor in the paralysis of high yield debt market, given that these bonds are in some ways more like equity than debt.

Now the approach of the calendar year-end poses the question of whether a new wave of attempted selling of corporate bonds might develop.

J P Morgan, which first popularised the value-at-risk (VAR) models now almost universally used by credit market participants, has pointed out that high financial market volatility, which raises VAR, is causing banks to unwind their positions.

In fact in its latest strategy document, JPM has advised reducing exposures so as to cut the VAR of its model bond portfolio by half.

Such position squaring could exacerbate the problems of poor liquidity and volatility, and market anomalies could persist. There are strange distortions, for instance, in the yen short-term markets; some Western banks are now only accepting yen deposits at negative interest rates – admittedly not such a big deal when the official rate is only 0.25 per cent anyway. These negative rates reflect a desperate search by ailing Japanese banks for dollars. Meanwhile the so-called "Japan premium" which Japanese banks are paying for dollars in the London money market has typically widened to nearly 100 basis points.

Is a serious risk implied here? Certainly it would be logical for the Japanese government to declare many of the banks bust before buying them up for 1 yen each. That way the taxpayers might even make a profit, eventually. But Japan does not work like that.

Indeed, the odd aspect is that the premium has continued to widen even though back in Tokyo bank share prices have recovered somewhat, in anticipation of a generous bailout by the Japanese taxpayer. Such anomalies presumably reflect the imposition by international banks of arbitrary limits on credit exposure to Japan.

For a while, then, high volatility may continue to be a self-feeding problem of over-leveraged financial markets. If that is all that is behind it, the problem may fade away soon enough.

There remains the chance, though, that this year's financial market strains are telling us something about real economic risks, in which case there may be worse to come.

Bonds, Page 24

RETAIL US GROUP BEATS EXPECTATIONS BUT ANALYSTS SEE LITTLE CHEER FOR SECTOR

Wal-Mart surprises with 27% rise

By Richard Tomkins in New York

Wal-Mart Stores, the US discount store group, yesterday opened the reporting season for US retailers by announcing a big increase in profits, beating the market's expectations.

However, analysts said the results did not necessarily suggest other retailers would do as well.

"I don't think the third quarter will be as robust as the second quarter for most US retailers," said Michael Exstein, an analyst at Credit Suisse First Boston. "Wal-Mart is bucking a trend of decelerating earnings growth."

Wal-Mart's net profits shot ahead by 27 per cent to more than $1bn, or 45 cents a share, in the quarter to October, continuing the company's record-breaking run. Analysts had predicted earnings a share of 43 cents.

The shares eased $[illegible] to $69[illegible] in early trading as investors took profits and the company warned Wall Street not to get carried away with the fourth-quarter outlook.

"Notwithstanding our current momentum, we temper our enthusiasm for the fourth quarter purely because we will face more difficult comparisons resulting from last year's solid performance," said David Glass, president and chief executive.

However, he said he expected fourth-quarter results to be in line with analysts' estimates.

Wal-Mart's recent growth has been driven by: the opening of new stores; the conversion of stores into so-called Supercenters incorporating food alongside the traditional general merchandise; and by international expansion.

In addition, analysts said profits had risen because of action taken after the last quarter of 1995, when the company announced its first decline in quarterly earnings for 25 years.

"They really did take a hard look at everything they were doing, and have done it better since," said Bruce Missett, an analyst at Morgan Stanley Dean Witter.

Margins substantially improved in spite of the company's increasing sales of food, which carries low margins. Analysts cited lower inventories and a more skilful approach to markdowns and promotional activity.

International operating profits, boosted by the consolidation of Cifra's Mexican operations, rose from $52m to $109m.

Book review, Page 22

Energy group in Triton rescue talks

By Christopher Parkes in Los Angeles

The rescue operation to revive Triton Energy, the cash-starved US oil group, took an unexpected turn yesterday with the emergence of a potential investor from the energy industry.

Triton, which signalled its plight when it offered most of its oil and gas field assets for sale in March, said it had delayed the launch of a rights issue planned for this week pending the outcome of negotiations. The Dallas company said the commitment by Hicks Muse Tate & Furst, an investment firm from the same Texas city, to invest up to $350m for 35 per cent of the company, was not affected.

Tom Hicks, founder of Hicks Muse, is Triton chairman, one of five representatives on the board.

Negotiations with a possible investor, identified by officials only as being "a very well-known oil and gas organisation with operations in the US and overseas", started late last week, and came as a surprise because of the current tendency in the industry to cut spending.

Triton's troubles, which stem from its lack of funds to exploit its substantial assets, have been compounded by low oil and gas prices which have severely depressed energy companies earnings this year.

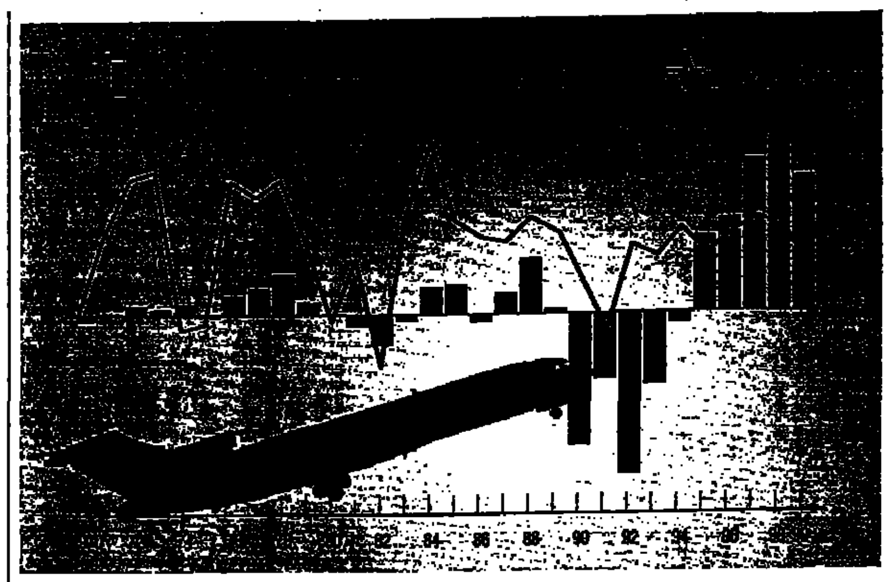
However, company valuations have also fallen, and the prices of assets and companies are much lower than earlier this year. Shortly before its move on Triton, Hicks Muse bought a 62 per cent stake in Coho Energy, another Texan group.

Atlantic Richfield, the Californian company which recently agreed to buy half of Triton's stake in a promising Thai gas field, and is now the subject of takeover speculation, yesterday announced "substantial" cuts in 1999 spending plans.

Triton officials said that although the talks were at an early stage, the company felt it better to stop the rights issue of convertible preference shares before they started trading. The issue's future would depend on the outcome of the talks.

Under a deal announced in August, Hicks Muse has invested almost $130m in Triton, paving the way for the rights issue to raise up to $220m underwritten by the investment firm.

Signs of a rescue emerged in July when Triton said it would not after all sell its main assets.



Airlines heading off a fall

US carriers better prepared for downturn, says **Richard Tomkins**

US airlines have never had it so good. Aircraft are full, fares are high, and profits are running at record highs.

But the party will soon be over, if Wall Street is a reliable guide. Analysts and airline stocks alike are pointing to the likelihood of a profit downturn next year as fewer people fly and fares fall.

Airline stocks have recovered a little from the lows to which they plummeted last month, but have been left far behind by the wider market's recent rally. This week, Glenn Engel of Goldman Sachs became the latest Wall Street analyst to downgrade his 1999 earnings estimates for US airlines, recommending clients to reduce their holdings.

Airline stocks are notoriously cyclical. At the first whiff of hard times, companies tend to slash travel budgets, sharply reducing the number of journeys made by business travellers, who account for the bulk of airline profits.

Candace Browning, an analyst at Merrill Lynch, says that, since US airline deregulation in 1978, each time real growth in US gross domestic product has fallen below 2 per cent, the airline industry has recorded a loss.

So far, there has been little evidence of a downturn in domestic travel demand: indeed, most big US airlines have just reported their best-ever quarterly results. But with the US economy expected to be buffeted by the effects of global financial turmoil, it seems inevitable that US airlines will feel the effects.

Alarmingly, in the last downturn to hit the industry – the five years to 1994 – US airlines incurred combined losses of $13bn, far exceeding all the profits they had made since the invention of powered flight.

Few analysts think things will be as bad this time. For one thing, economists are not expecting the US downturn to be as severe. And the last recession was accompanied by the Gulf War, which frightened away air passengers and brought a big increase in fuel costs.

Further, airlines seem better prepared to reduce capacity in line with declining demand than they were last time, when they entered the downturn at the peak of a spending binge on aircraft.

Still, as Mr Engel notes, most of the reductions in capacity growth so far announced have been on international routes hit by global financial turmoil. He says US airlines are actually accelerating capacity growth in their domestic market from 1 to 4 per cent next year as they seek better profit margins than those available internationally.

The extra capacity is being added at a time when domestic fares and passenger numbers appear to have peaked. Meanwhile, on the cost side of the equation, wages are rising and airlines seem unlikely to get a repeat of the big boost to profits that came from falling fuel prices this year.

So have the airlines learnt nothing from previous experience? Why do they not simply reduce capacity to keep it in line with demand, keeping aircraft full and profits up? It's the old story, says Mr Engel.

"It doesn't help you when you do it and nobody else follows. Everybody has to do it together for it to work, and the hard part is, people cheat."

Even so, at this stage, analysts are predicting a profit decline next year rather than a catastrophic slump into losses. Mr Engel is forecasting an 18 per cent decline in 1999 pre-tax income for the big US airlines.

Kevin Murphy, an analyst at Morgan Stanley Dean Witter, agrees that US airlines look better positioned to weather a downturn than they were last time. "A lot of assets were written off" in the last downturn, he says, "so you don't have as much excess plant. This is an industry that gets better by getting less bad."

According to Mr Murphy, what the industry really needs is a bout of consolidation. "Even though the airlines are doing better than they were earlier in the decade, they are still not getting a good return on capital," he says.

But as Mr Murphy acknowledges, that looks unlikely in current circumstances, following the Clinton administration's decision to block a plan by Northwest Airlines to acquire a controlling stake in Continental Airlines. "The government just doesn't understand," Mr Murphy laments.

Reit is hit by share spiral

By Richard Waters in New York

An arcane financing technique that has been widely used among US real estate investment trusts (reits) has claimed its first big victim.

The turmoil that this week hit Patriot American, one of the country's largest hotel companies, has also revived uncomfortable memories of the financial disasters that hit an earlier generation of reits in the 1970s.

Fans of the latest batch of public reits, which were among the best-performing stocks of 1996 and 1997, had claimed that their financial structures would prove more robust in a market downturn, since they relied far less heavily on debt.

However, that has not saved Patriot, once one of the most acquisitive companies in its high-flying sector, from a financial crisis prompted by a downturn.

Patriot's shares fell 14 per cent yesterday morning, adding to Monday's 14 per cent drop, in the wake of concerns that it could be facing liquidity problems. The stock stood at $7[illegible] in early afternoon trading, down from a high of more than $32 at the end of last year.

Patriot's financial structure has proved vulnerable to the correction in reit share prices that began at the start of the year.

Along with a number of other companies in its sector, including rival hotel owner Starwood, the company used forward equity contracts in an attempt to reduce its cost of borrowing.

Under such contracts, companies in effect agree to issue shares to repay a bank loan, counting on their share prices rising before the debt falls due.

Other companies using the technique have suffered losses, but "for the most part these things have proven to be inconvenient, not fatal", according to one reit that declined to be named.

Patriot entered into contracts with Merrill Lynch, UBS and NationsBank, totalling some $320m. Along with other reits, its shares have fallen heavily this year as investors took a second look at the heady stock market valuations in the sector.

With a lower share price, Patriot would have to issue far more shares to retire its debt, diluting its existing shareholders. That has led to a downward spiral in the stock price as investors have feared ever-larger dilution. Under the three contracts, it would have to issue about 40m shares to settle the debts, far more than the 13m it expected at the outset.

Paul Nussbaum, chairman, indicated on Monday that Patriot believed it had reached a broad agreement on resolving the equity contract problems with the three banks involved and that it had started talks with its main bank lenders over the plan. The company did not reveal how it hoped to resolve the problem.

Patriot said that it was planning to sell some assets to help raise cash and meet some of its debts.

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CARMAKING TROUBLED JAPANESE GROUP SEES FULL-YEAR DEFICIT AS COLLAPSE IN EQUITY VALUES TAKES TOLL

Nissan warns after 36% interim decline

By Alexandra Harney in Tokyo

Nissan Motors, the troubled Japanese carmaker, is heading for its sixth year of losses in the past seven years, the company said yesterday.

The warning accompanied a 36 per cent fall in pre-tax profits to Y28.8bn ($237m) for the six months to end-September. It blamed the fall on the collapse in Japanese equity values, changes in its model line-up and exchange-rate fluctuations.

The results were well below analysts' expectations. Nissan had said it expected to break even this year.

Sales fell 7.7 per cent from Y1,776.1bn to Y1,638.5bn. Net losses were Y32.5bn, against profits after taxes and exceptionals of Y38.5bn last time.

However, analysts cautioned that a change in accounting practices disguised the actual decline. Nissan adjusted its accounting methods this term to include royalties in pre-tax profits. Excluding Y19bn in income from royalties, pre-tax profits were down 97 per cent, from Y50.5bn to Y1.6bn.

The announcement came after the markets closed, and Nissan shares slid 0.61 per cent to Y327.

Sales fell 13.4 per cent to Y837.6bn, in spite of a 12.6 per cent contraction in production to 746,000 units. However, market share crept up from 20.6 per cent to 20.9 per cent.

A wide-ranging restructuring would bolster profitability in the second half, the group said.

Tadahiro Shirai, executive vice-president, said Nissan was making "rigorous efforts" to reach its goals of reducing consolidated debt by Y1,000bn and expenses by Y400bn by 2001. Group debt is currently Y3,900bn, and net gearing has jumped from 190 per cent to 304 per cent since March 1992.

Mr Shirai said the group would reduce the number of model platforms from more than 20 this year, to 10 platforms by 2002 and only five by 2005. This would cut research and development expenses by Y100bn.

Operations in the US, where the group had losses of Y80bn last year, would also be restructured to break even by next year.

However, Mr Shirai said that in the short-term, conditions in Japan, the US and Mexico would be difficult.

He said the group would report full-year losses of Y30bn on turnover of Y6,500bn. Pre-tax earnings would be Y70bn. Last year, pre-tax profits were Y4.7bn on sales of Y6,565bn.

Analysts doubted whether Nissan would reach even these modest targets. "The company continues to have new problems, one after another. That's the unfortunate thing," said Koji Endo, industry analyst at Schroders in Tokyo.

Suzuki Motors slides 13.6%

By Alexandra Harney

Suzuki Motors, the leading Japanese mini-car manufacturer, yesterday joined the growing band of carmakers to reveal grim interim results, with a 13.6 per cent decline in net earnings from Y5.3bn to Y4.6bn ($38m).

The announcement follows similar first-half results from rivals Fuji Heavy Industries and Mitsubishi Motors, highlighting the impact of Japan's recession and the Asian financial crisis on Japan's carmakers.

Efforts by car and truck manufacturers to cut production and expand overseas sales have not been enough to offset the slump in Japan.

Suzuki, which has an alliance with General Motors, the world's largest carmaker, saw a 10 per cent fall in pre-tax profits from Y13bn to Y11.7bn.

Sales fell 6.5 per cent, from Y586.39bn to Y548.05bn. The decline was due largely to a 12.4 per cent contraction in domestic turnover, which accounted for 49 per cent of sales.

Sales of mini and compact cars in Japan fell 20.4 per cent and 13 per cent, respectively. However, motorcycle sales in the country jumped 7.4 per cent to Y16bn.

Sales overseas slipped 0.1 per cent to Y2.79bn, mainly because of sluggish demand for motorcycles. The modest contraction was in spite of a significant decline in overseas production: Suzuki cut production of motorcycles by 44 per cent and car production by 24.9 per cent.

The results were in line with forecasts, and shares in the group fell 2.9 per cent to Y1,364 on the news.

However, analysts voiced concern over the group's heavy exposure to Asia, particularly in India, Indonesia, and Thailand. If instability in these markets continued, analysts said, it was unlikely the group would see a significant recovery in the next three years.

Suzuki said it planned a Y3.5 dividend. In the full year, the group expects after-tax profits to drop 5.6 per cent to Y9bn, on turnover of Y1,150bn.

Telecom NZ logs on to a bright future on the web

Roderick Deane, chairman, aims to use the internet to boost growth in its home market, writes Peter Montagnon

Roderick Deane, chief executive of Telecom New Zealand, has what seems a rather odd ambition for the head of an important services company. He hopes that in the not too distant future his customers will sort out their own telephone breakdowns without bothering one of his engineers.

The opportunity will occur as part of his vision for building internet services into a significant medium-term source of growth.

Telecom is trying to promote the internet as a means of getting more revenue out of its home market. If customers can use it to access Telecom's own computer system and get it to repair faults, Mr Deane will save overheads as well as selling additional services.

The company, New Zealand's largest corporation, accounting for about a third of the country's entire stock market capitalisation, badly needs the idea to succeed. Plagued by severe competition and falling prices, especially on international calls, it still sees its future – unusually for a large telecoms company – very much in its home market.

While operating revenues grew 10 per cent in the year to March, the rate slowed to just 3 per cent in the first quarter of 1998-99. Despite sharply rising volumes, analysts expect this sluggish trend to be maintained in the second quarter.

Part of the problem is the New Zealand recession; part is more structural. Mr Deane says he expects the price falls to continue for the next two or three years. On that basis, the decision this April by Ameritech of the US to sell its 25 per cent stake might be seen as reflecting a gloomy view – especially as the other large foreign shareholder, Bell Atlantic, has also set up an elaborate capital market scheme that will allow it to withdraw in due course.

Mr Deane, a quick-thinking former central banker, rejects the suggestion. Ameritech sold out because it wanted to focus more closely on Europe, he says. The offering of Ameritech's shares to the market was heavily oversubscribed, which indicates that investors believe in Telecom's prospects.

"The super growth has gone," says Andrew White of J.B. Were in Auckland. But Telecom's decision to concentrate on its home market rather than indulge in adventurous forays abroad is a positive factor.

Data transmission will be a substantial source of growth over the medium term, says Mr Deane. The company is pushing the internet not only to its customers, but also to its suppliers both to encourage businesses to go online and to generate cost savings.

Another source of growth is the cellular sector. Only 16 per cent of New Zealanders have mobile phones, a much smaller proportion than neighbouring Australia or Sweden. Competition from the newly arrived Vodafone, which bought the local cellular business of Bell South, will be vigorous. On top of that, penetration is also low in specialised services such as high-quality ISDN lines.

"If you add all that, you can still get a growth story for us alongside falling costs," he says. But he admits the elements need to come together. The lesson of the Asian crisis is that expansion overseas is risky, he adds, noting that some companies that invested heavily in south-east Asian markets have had to take large write-downs.

Analysts, meanwhile, remain confident that continued contribution from cost-cutting will allow revenues to rise while the newer areas such as data develop. With costs held back, operating profits could still grow at 8 per cent, which would mean faster growth in earnings per share as debt comes down, says Guy Hallright at CS First Boston in Wellington.

Telecom's strong cashflow is one reason why there is little market worry at the apparently tight dividend cover. Last year, dividends of 43 NZ cents per share took up almost all net normalised earnings of 45.6 NZ cents.

With a fully digital network and broad coverage for cellular, Telecom does not need a heavy investment programme, says Mr White.

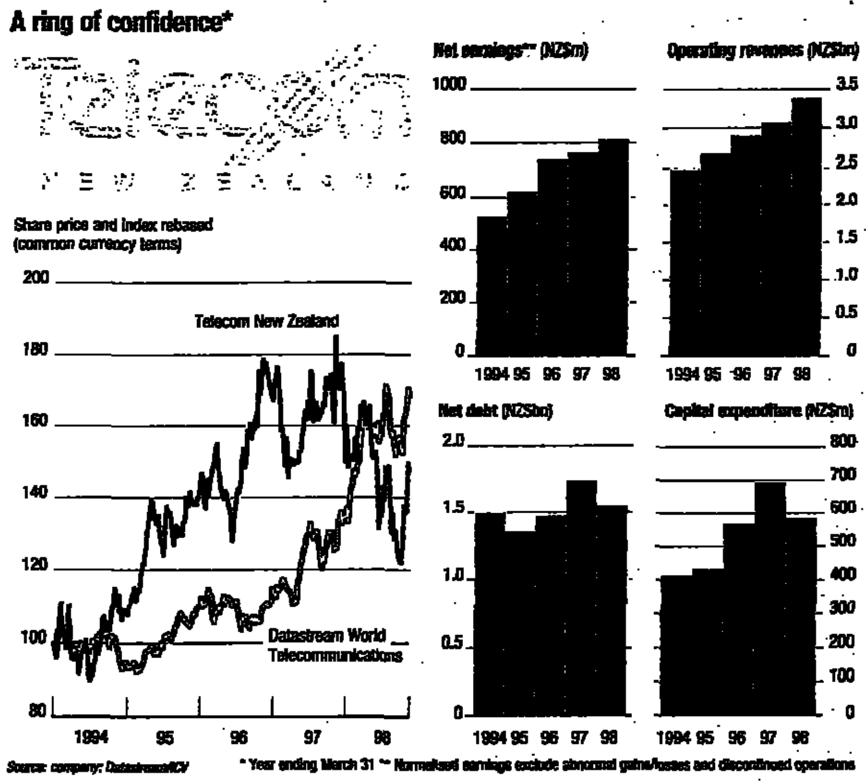
One cloud on the horizon remains the possibility of tighter regulation, especially if the Labour opposition party wins the election due to be held over the next year.

Helen Clark, Labour leader, notes that while competition has affected international and long-distance calling as well as services to business users, the local-call market has proved hard for outsiders to penetrate. "If Telecom was a state monopoly we'd defend it," she says, "but we're not in the business of defending private monopolies."

It is an unspecific threat and assumes a Labour victory, but it still rattles Mr Deane, who is proud of his record of service quality improvements and Telecom's high approval rating among the New Zealand public.

Three-quarters of Telecom's shares are held offshore, he says, and regulatory interference would damage market confidence. "If you want to do a Malaysia, regulate us," he says. "It would be the most unwise thing a politician could do to New Zealand."

A ring of confidence*



Source: company; Datastream/ICV * Year ending March 31 ** Normalised earnings exclude abnormal gains/losses and discontinued operations

Japan video-games maker plans London listing

By Naoko Nakamae in Tokyo

Konami, a leading Japanese manufacturer of video-game software, said it planned to list its shares in London in February or March.

The company, whose shares were listed in Singapore last November, would be the first Japanese game software maker to be listed in London. Konami said, that apart from raising capital, *a London listing* would raise its profile in Europe. It was also considering a listing in New York.

Roughly a quarter of Konami's shares are currently held by foreign investors and the company is keen to increase this.

"Foreign shareholders expect greater disclosure, and they watch the company *management very closely*. We welcome vocal participation by our shareholders, as we strongly believe that traditional forms of Japanese cross-shareholding and silent investors are a thing of the past," said Noriaki Yamaguchi, managing director.

The company will lay the groundwork for its London *listing when a team sets off* on a roadshow covering London, Amsterdam and Frankfurt later in the month.

Konami, whose hit games include the adventure game Metal Gear Solid and a range of sports games, is reaping some of the benefits of the restructuring programme it started in 1995 after it had an earnings collapse.

This included switching from heavy reliance on Nintendo to a multi-platform strategy, which enabled it to take advantage of the overwhelming popularity of Sony's PlayStation. It also aggressively diversified its businesses within the games sector.

NEWS DIGEST

PUBLISHING

Softbank slides into red before exceptionals

Softbank, the Japanese computer software and publishing group, yesterday announced a first-half consolidated pre-tax loss excluding exceptionals of Y2.36bn ($19.5m), compared with a Y6.3bn profit last year. While consolidated sales rose 9.5 per cent, the poor performance of subsidiaries such as Ziff-Davis, the US technology publishing company, and Kingston Technology Company, the PC memory board maker, hit operating profits, which fell from Y10.3bn to Y6.2bn. But Softbank, a shareholder in Yahoo!, indicated that its fledgling internet businesses were taking off.

Softbank's consolidated net profits were up 39.1 per cent from Y2.4bn to Y3.3bn. Following initial public offerings of subsidiaries such as GeoCities in the US, and Trend Micro in Japan, the group revised up its remaining holdings and was able to report a total extraordinary profit of Y14.1bn.

This was set against a Y4.8bn extraordinary loss, partly associated with the winding up of some of unprofitable business such as Softbank Services Group, and internet advertising service providers, Ji-tong and Zulu Teck.

The company raised its forecast for pre-tax profits before exceptionals for the full-year from Y12bn to Y15bn and net profits from Y7bn to Y8.45bn. It said it expected to pay a Y20 dividend. **Naoko Nakamae, Tokyo**

ENERGY PRODUCTION

Tenaga hit by losses

Tenaga Nasional, the Malaysian state-controlled power utility and the third biggest company on the Kuala Lumpur Stock Exchange, reported sharply steeper net losses of M$3.1bn ($816m) for the year to August 31, compared with a net loss of M$141m the previous year. It said the fall was mainly due to foreign exchange losses as a result of the devaluation of the Malaysian ringgit.

Sales rose 14 per cent to M$11.4bn but operating profit slumped by 54 per cent to M$633.9m as a result of a big increase in the cost of servicing foreign loans and the rise in the price of imported fuel in ringgit terms.

Tenaga is optimistic that it will return to profitability next year if electricity demand rises by an expected 6-8 per cent and if the ringgit remains pegged at 3.8 to the US dollar. The peg was fixed in September following the imposition of strict capital controls.

"We may make M$1.5-2bn [pre-tax profits] next year," said Ahmad Tajudin, executive chairman

Tenaga's shares edged 8 cents higher to M$4.98 yesterday on hopes that the ringgit might strengthen to M$3.5:US$1 by the end of the year and that the worst was over for the company.

However, some analysts were concerned that Tenaga was paying too much to the independent power producers and that electricity demand might pick up only marginally. **TJ Tan, Kuala Lumpur**

INVESTMENTS

Brierley future unclear

The future of Brierley Investments, Australasia's biggest corporate raider, remained unclear yesterday as shareholders waited for the outcome of a vote on the re-election of three directors. The directors, Fran Wilde, Richard Longes and Peter Dodd, have been opposed in a bitter proxy battle by several groups including the company's biggest shareholder, Malaysian group Camerlin, and Shamrock, a Los Angeles-based investment group with links to the Disney family.

Supporters of the beseiged directors include company founder Sir Ron Brierley and former chairman Sir Roger Douglas.

Quek Leng Chan, a Brierley director and effective controller of Camerlin, which has a 20 per cent stake, told the meeting that his company would be voting against the three directors as it said it wanted to "reconstitute the board".

Camerlin is critical of Brierley's recent performance and has called for the resumption of the dividend payments. The Brierley share price has fallen from more than NZ$1.2 in January to 50 cents yesterday. But Sir Ron said the removal of Mr Longes, a leading Australian company director, was a "colossal mistake" as he had been a big factor in the company's successful rejuvenation and improved relations with bankers since his appointment in April.

The meeting left unresolved the role of Shamrock, an investment vehicle for Disney family interests, in Brierley's future. Shamrock, with a 2 per cent shareholding, is seeking management control in return for fees and an issue of shares. Quek Leng Chan said the Brierley board would "consider" Shamrock's proposals. **Terry Hall, Wellington**

COMPANIES & FINANCE: EUROPE

FRANCE REGULATOR WARNS ON DILUTION

Investors in Telecom told to act swiftly

By Samer Iskandar in Paris and Vincent Boland in London

The Commission des Opérations de Bourse, the French stock market regulator, warned shareholders in France Telecom yesterday to act swiftly to avoid their stakes being diluted under the terms of a secondary share offering launched last weekend.

Existing shareholders will be offered warrants granting them priority allocations of new shares as part of a 5 per cent capital increase France Telecom is undertaking.

This is in conjunction with a move by the government to cut its stake, due to be completed later this month.

Shareholders will get a free warrant for every share they already own, and 40 warrants will allow them to apply for an additional France Telecom share.

The plan is designed to avoid diluting their stakes following the capital increase, and accounts for half the additional 5 per cent of new capital.

But the COB, in an unusual move, warned that holders of the new warrants would have to decide whether to exercise them "in a very short time span, before they are informed of the exercise price".

The exercise – or strike – price will be the same as the fixed offer price for new buyers. It will be set on November 28 in a range of FFr350-FFr370, according to Michel Bon, France Telecom chairman. Retail investors will receive a FFr10 discount on the final price of the shares, which are due to start trading on November 30.

The other half of France Telecom's capital increase consists of an issue of FFr10bn ($1.8bn) of five-year convertible bonds, with a coupon of between 2-2.5 per cent and a conversion premium to be set between 23 and 28 per cent.

It is one of the largest convertible bonds from a European issuer and is aimed primarily at institutional investors in France Telecom, although bonds will be made available to retail investors wishing to buy them.

Another 2 per cent of France Telecom will be sold directly to Deutsche Telekom, its German counterpart, as part of a cross-shareholding aimed at reinforcing long-term co-operation.

The bulk of the transaction will consist of the flotation of 5 to 7 per cent of France Telecom held by the state. This will reduce public ownership of the company from 75 per cent to not less than 62 per cent. Dominique Strauss-Kahn, finance minister, insists this holding will not fall further.

Between 125m and 150m shares – worth between FFr44.8bn and FFr55.5bn – will be offered, including an over-allotment option if demand is strong.

ASSET MANAGEMENT GERMAN GROUP FORMS ALLIANCE WITH INSURER TO TAKE ADVANTAGE OF JAPANESE FINANCIAL DEREGULATION

Deutsche Bank links with Nippon Life

By Jane Martinson, Investment Correspondent

Deutsche Bank yesterday joined other western fund management groups aiming to expand in Japan with the announcement of a strategic alliance with Nippon Life, Japan's largest life assurance company.

Several financial services groups have joined with Japanese institutions in the past year in an effort to take advantage of the financial deregulation of the Japanese financial system as well as one of the world's largest savings markets.

Under yesterday's deal mutual funds will be jointly developed and distributed in Japan and Europe, while a separate European asset management joint venture will be set up.

Nippon, a mutual insurer, will also increase its stake in Deutsche's Japanese trust bank from 5 per cent to 10 per cent, with the possibility of further increases.

The two groups also intend to work together in other areas such as asset securitisation, insurance products and services for wealthy individuals.

Ikuo Uno, president of Nippon Life, said: "We are pleased to develop our partnership with Deutsche Bank across a range of financial products and we expect to extend this partnership in the years to come."

Michael Dobson, head of Deutsche's asset management division, said he hoped to increase the group's funds under management in Japan to more than £1bn ($1.66bn) over the next three years. "It's a major step forward for us in Japan," he said.

The group, which runs its asset management operations out of Frankfurt and London, first set up business in Japan in 1982 and now manages about Y1,200bn ($10.14bn) there.

Nippon Life, which has total assets of Y42,000bn, 18m individual and 300,000 corporate customers, also has a strategic alliance with Putnam, which allows the US fund manager to distribute mutual funds in Japan. The group said yesterday that this year-old alliance would not be affected by the Deutsche venture.

The London-based asset management company to be created following yesterday's announcement will provisionally be called Nissay Deutsche Asset Management Europe. It will be one-third owned by Deutsche and two-thirds by Nippon Life.

Deutsche is also keen to expand in the US, where it currently manages $12bn. It has expressed an interest in acquisitions but has so far failed to find a suitable target. Mr Dobson said yesterday that the group would continue to look for opportunities in the area. "I don't feel there's an egg-timer hanging over me," he added.

Its alliance with Dean Witter, the financial services company bought by Morgan Stanley last year, comes to an end at the end of this year.

Czech banks are back on private track

Government is now smoothing the way for a sell-off, writes **Robert Anderson**

As neighbouring countries push ahead with privatisation, the Czech Republic's banking sector is falling behind in the race to prepare for European Union membership.

Little has been achieved since the difficult sale in March of the state's 36 per cent stake in Investicni a Postovni Banka (IPB), the third biggest bank, to Nomura Securities of Japan for Kč3.03bn ($104m). Under the Social Democrat government, which took office in July, momentum has been lost amid disputes over the cost and pace of reform.

But the cabinet has now been forced to relaunch banking privatisation, after the Russian debt default in August and the downturn in emerging market sentiment underlined the problems facing the sector and sent share prices tumbling.

The cabinet is poised to send an information memorandum to 15 potential bidders for Ceskoslovenska Obchodni Banka (CSOB), the fourth biggest bank by assets, with a view to selling its 66 per cent stake in the healthy former trade bank in the first half of next year.

It has also indicated it is prepared to put more money into Ceska Sporitelna, the main retail bank, and Komercni Banka, central Europe's biggest bank, to smooth the way for selling its 45 per cent and 49 per cent stakes in late 1999 and by the end of 2000, respectively.

"There has been a shortening of the period in which privatisation was to be done," says Pavol Mertlik, deputy premier for economic affairs.

This flurry of activity follows the collapse in the share prices of the two big banks. Between mid-July and early October, Ceska Sporitelna's shares fell from Kč346 to Kč59, while Komercni plummeted from Kč1,159 to Kč231, reflecting deeper concern over the deteriorating financial position of the two big banks and the privatisation hold-up.

Their difficult position has become more apparent since reform of central bank provisioning rules in June forced them to show the true cost of bad loans, one-fifth of their entire portfolios.

Komercni has already made provisions of Kč19bn, and expects to book a loss of Kč9.5bn this year. Ceska Sporitelna predicts a loss of Kč7bn and to date has made Kč6bn provisions.

The banks are having to make this adjustment at a time when new loans are also turning bad because of recession and high interest rates. At the same time, they face tougher competition.

The international environment too is unfavourable. Ceska Sporitelna has been directly affected through a Kč5.2bn exposure to Russia and Ukraine, for which it has so far made provisions of Kč1.9bn. But both banks will find foreign borrowing more expensive after the fall in investor sentiment and the speculative credit rating awarded by Standard & Poor's last week.

These problems have forced the government to make a decision on helping the banks. In an interview earlier this year, Mr Zeman said: "It would be quite impossible for us to give more subsidies to the banking sector."

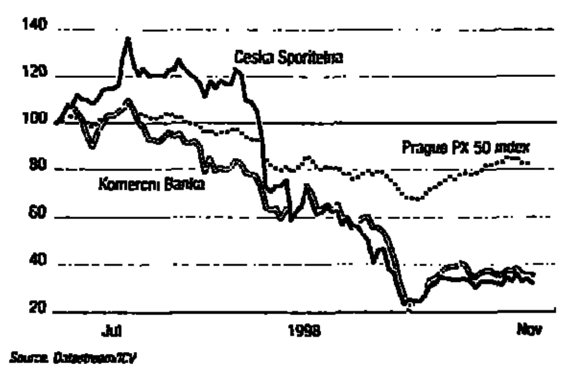
The government now seems to accept it will have to buy or guarantee some of the banks' bad debts. But the cabinet remains divided over the depth of the restructuring the banks need.

Mr Mertlik says: "The key thing is not to privatise quickly but to privatise well. We have to sell the banks in good condition. A realistic date is 2000-02. I am not sure it can be done in two years."

The dilemma the government faces is that quick privatisation may produce few buyers and low offers. However, if privatisation is delayed, the banks may become more unstable.

Delay could hurt not only the banks but the entire economy. Zdenek Bakala, head of the investment bank Patria Finance, which is assisting Merrill Lynch with Ceska Sporitelna's sale, says: "Banking privatisation is an absolute necessity. Without it we will not reach a level in our banking system that will allow a resumption of economic growth."

Banking on a rebound
Share prices and index (rebased)



Source: Datastream/ICV

NEWS DIGEST

TELECOMMUNICATIONS

Sonera shares surge on first day of trading

Shares in Sonera, the former Telecom Finland, surged 37.8 per cent yesterday, their first day of trading following the sale of a 22.2 per cent stake in the state-owned Finnish group. The shares climbed from an offer price of FM45 to FM64.60 before closing at FM62 on the Helsinki stock exchange. Some 20.7m shares, equivalent to 20.7 per cent of the issue, changed hands. The global offering, which was more than 20 times subscribed, raised more than FM7bn ($1.39bn) for the Finnish state, reducing its holding to 77.8 per cent.

The government responded by announcing that an initial public offering of shares in Fortum, the newly merged state-owned energy group, would take place later this month or next. A 20-25 per cent stake in Fortum – formed by the merger of Neste and Imatran Voima – had been due to be sold in October. However, the privatisation was cancelled because of world equity market turbulence. **Greg McIvor, Stockholm**

TOBACCO

Seita closes two factories

Seita, the French tobacco group, yesterday announced the closure of two more factories with the loss of hundreds of jobs. The company said it expected to close its Tonneins plant in south-west France, which makes the well-known Gauloises cigarettes and employs 282 people, at the end of 2000. It also expects to close its Morlaix cigar plant in Britanny in December 1999. Cigar production is to be concentrated at Strasbourg from that date. The company said 172 jobs would be lost at Morlaix, with 87 created at Strasbourg.

The Tonneins closure is the result of the pronounced decline in dark tobacco consumption in France, as French smokers move to the light or "blond" tobacco favoured by most international brands. While overall cigarette consumption in the country is little changed from 1975 levels, at about 83bn a year, the proportion of dark tobacco cigarettes smoked has shrunk from nearly nine out of 10 to fewer than one in four. **David Owen, Paris**

BANK AUSTRIA

Two executives to leave

Two senior executives at Bank Austria, which has announced larger Russia-related provisions than any bank except Credit Suisse First Boston, are to leave at the end of the year after "differences of opinion over risk policy". Peter Fischer, group treasurer, and Franz Hoerhager were supervisory board members of the bank's Russian operation. Austria's largest bank last month announced total provisions of more than Sch10bn ($864m) for its exposure to central and eastern Europe, largely related to Russian GKOs and non-deliverable forward exchange transactions. Patrick Butler, formerly joint group treasurer, will take exclusive control of treasury and financial market operations. **Financial Staff**

PHARMACEUTICALS

ICN warns of 'tough years'

Milan Panic, chairman and chief executive of California-based ICN Pharmaceuticals, warned yesterday of two tough years ahead in eastern Europe and Russia, especially in Yugoslavia where business conditions "could not be worse". Reporting third-quarter results for 1998, ICN said the North and Latin American sectors had performed strongly but setbacks in eastern Europe and Russia had contributed to an overall net loss of $65m, or 89 cents a share, on revenues of $163m. "The next two years will be very tough for us," Mr Panic told area managers at the headquarters of ICN's Galenika subsidiary in Belgrade.

Third-quarter sales in eastern Europe fell 34 per cent to $99m. Sales fell sharply in Yugoslavia after ICN suspended credits to the government's healthcare service following Belgrade's default on $39m owed to ICN. The company has made provisions for a total of $172m owed by the Serbian government. **Guy Dinmore, Belgrade**

Paper merger buoyed by results

By Greg McIvor in Stockholm

Stora and Enso, the Swedish and Finnish groups which are merging to form the world's largest paper producer, yesterday announced a big jump in nine-month profits but warned of weaker times ahead.

Enso said final-quarter profits would be lower amid deteriorating business conditions in several paper and packaging grades, while Stora predicted the fourth quarter would be "pretty tough".

The two companies reported separately but said combined pro-forma profits jumped from FM2.65bn to FM4.2bn ($818m) on turnover up from FM43.4bn to FM46.8bn.

Enso and Stora are awaiting European Commission approval for their merger. The Commission, which has expressed disquiet about the merged group's dominant market share, is due to announce its decision by December 4.

Enso said economic turmoil in Asia, Latin America and Russia had reduced demand, creating oversupply of some grades to Europe and North America.

"Increased uncertainty in the market will mean a weaker financial result for the final quarter than for the previous quarters," Enso said, although it stressed full-year profits would still be "much better" than in 1997.

The gloomy forecast hit Enso's most-traded R shares, which fell FM1 to FM42. Stora's A shares shed SKr3.50 to close at SKr91.

Enso said prices of wood pulp, the prime raw material for paper, had fallen so low that many producers were selling at below their production cost.

Nevertheless, it predicted pulp prices could rebound towards the end of the year in the wake of recent production cuts by leading suppliers.

Stora's pre-tax profits advanced from SKr1.16bn to SKr1.59bn ($204m), a 33 per cent increase. Björn Hägglund, chief executive, said market conditions were likely to remain difficult during the coming six months, although magazine paper and newsprint would continue to be strong.

The company said nine-month earnings had been boosted by higher sales prices. Group turnover increased from SKr33bn to SKr33.8bn. Profits were underpinned by Stora's printing paper division where operating gains rose from SKr1.2bn to SKr2.1bn.

COMPANIES & FINANCE: INTERNATIONAL

BANKS HANDELSBANKEN MAY PURSUE BID FOR FOKUS AS THREE-WAY TIE-UP COLLAPSES

Nordic merger abandoned

By Tim Burt in Stockholm and Valeria Sköld in Oslo

A three-way merger to create Norway's biggest bank was abandoned yesterday after Christiania Bank and Fokus Bank, the country's second and fourth largest lenders, rejected the terms of a tie-up with state-owned Postbanken.

The deal, unveiled as a friendly transaction in September, foundered after the three lenders failed to reach agreement on distributing their joint products through Posten Norge, the Norwegian post office.

Although Christiania said it remained committed to the deal "in principle", the collapse of negotiations in effect clears the way for Svenska Handelsbanken, Sweden's largest bank, to pursue its hostile SKr5.09bn ($653m) takeover of Fokus.

Arne Martensson, Handelsbanken chief executive, said: "This is a very positive development for us. Norway needs to restructure in banking and I feel confident we can achieve the necessary shareholder approval to complete the merger."

Mr Martensson said he expected to hold talks with Fokus this week, which could lead to a recommendation from the Fokus board by the end of the month.

In order to secure control, Handelsbanken must win government approval and support for its offer from investors holding more than 90 per cent of Fokus's shares.

The failure to consummate the three-way domestic merger, however, prompted some analysts in Oslo to call for government intervention to overcome the cultural and economic barriers that have derailed several deals in Norwegian financial services in recent years.

The abortive deal marks the third attempt by Fokus to secure a Norwegian partner, while Christiania and Den norske Bank have also made unsuccessful attempts at consolidation.

"It now remains to be seen whether Christiania will try to go it alone with Fokus," said one analyst. "If it wants to do that, it will have to outbid Handelsbanken."

Christiania declined to comment but officials said the bank "had an open door attitude" to restarting talks with Fokus and Postbanken.

Postbanken also hinted at further merger talks, but declined to name possible suitors.

"This merger is definitely off," said Olav Fjell, Postbanken chief executive. "But we won't exclude anything in the future."

Postbanken blamed the impasse on the terms of a renewable three-year contract with Posten Norge over using its distribution network. Under the proposed deal, the three banks would have paid about NKr950m ($127m) for the first year and less thereafter on a sliding scale.

Shares in Fokus yesterday rose NKr5 to NKr63.50 in Oslo, while Christiania added NKr1.20 to close at NKr24.90. In Stockholm, Handelsbanken rose SKr0.50 to SKr332.50.

Norway survey, Sep section

US online bookshop eyes video market

By Alice Rawsthorn

Jeff Bezos: 'If our rivals are competitor-focused, that's fine by me' Ashley Ashwood

Amazon.com, the world's largest online bookseller, plans to expand its product range by introducing videos and, possibly, computer games to its US internet site, and by selling music from its UK and German sites.

Jeff Bezos, the Seattle-based company's founder and chairman, said that he was "very pleased with Amazon's progress so far".

A former hedge-fund manager, Mr Bezos founded Amazon four years ago and has since turned it into one of the world's best-known internet brands and a business with a market capitalisation of $6.3bn.

It pioneered online bookselling and is still the market leader. It was also the world's biggest internet music retailer in the four months since it started selling compact discs and cassettes from its US site.

However, Amazon now faces fiercer competition in both product sectors. Last month, Barnes & Noble, one of the largest US book chains, agreed to sell 50 per cent of its online arm to Bertelsmann, the German media group, in a $300m deal. B&N has since announced plans to spend $600m on Ingram Books, the biggest US book distributor.

Amazon's principal rivals in the online music market – CD Now and N2K, which owns the Music Boulevard site – also recently agreed to merge.

Mr Bezos said he was disinterested in his competitors' activities. "Amazon is customer-focused, and if our rivals are competitor-focused, that's fine by me."

He confirmed that Amazon intended to start selling music from the new sites it introduced this autumn in the UK and Germany, but declined to specify the launch dates. Both CD Now and N2K already supply music to European consumers from a distribution centre in the Netherlands.

Amazon plans to extend its US range to videos and DVD-Video software. It is also considering selling computer games.

Brazil raises $205.9m from railway sell-off

By John Barham in São Paulo

The Brazilian government yesterday raised US$205.9m from the privatisation of one of the country's principal rail networks.

A consortium that included Chase Latin American Equity Associates, an investment fund, and Companhia Vale do Doce, the country's leading mining group, paid 5 per cent above the minimum price the government set for the loss-making Malha Paulista rail system.

Claudio Coracini, investment director at Unibanco, a leading Brazilian bank, said: "The fact that the government was able to attract a premium was a good sign. The worst of the crisis appears to be over. If things go on in this direction, the outlook for future privatisations will be better."

This was the country's second big privatisation since Brazil entered a severe financial crisis in August. At the previous privatisation held in September, Belgium's Tractebel bought an electricity generating company for the minimum price.

The government plans to raise $20bn from privatisations next year. It expects to raise most of this from sales of more electricity companies and a large minority stake in Petrobras, the national oil company.

However, privatisation revenues are expected to fall sharply from this year's forecast $37bn.

Malha Paulista is the loss-making network serving the state of São Paulo, Brazil's most important industrial region, and carries about half of the country's total rail freight traffic.

The government requires the network's new owners to invest $206m-$336m in the company over the next five years. Brazil's roads, railways and ports are still almost entirely owned by the state and have suffered from years of neglect, burdening businesses with considerable additional operating costs.

Seagram plans drinks revamp

By Alice Rawsthorn

Seagram of Canada plans to shake up its drinks interests by abolishing the old structure – in which its business was divided between brands and regions – to create a centralised senior management in New York.

The announcement follows speculation about Seagram's drinks strategy since Edgar Bronfman Jr, its chief executive, unveiled a US$11bn offer for PolyGram, the Dutch music and film company, last May.

Mr Bronfman, who has repeatedly tried to quash speculation that Seagram would sell its drinks business, described the changes as an attempt to turn Seagram into "an even stronger force in spirits and wine".

Under the new structure, which will lead to an unspecified number of job losses when implemented in the first half of 1999, new global functions for finance, marketing, strategic development and human resources will be set up in New York.

The Paris offices will close. Chivas Regal Scotch and Martell cognac and wines will be based in London. The Crown Royal and Captain Morgan spirits businesses will be run from New York.

Seagram has also finalised plans to restructure its enlarged Universal Music subsidiary after completing the PolyGram acquisition early next month. It has said it planned to cut annual music costs by up to $300m within two years, but declined to comment yesterday on a Los Angeles Times report that this could involve shedding 20 per cent of the 15,500-strong combined music workforce.

In the US, the old Universal and PolyGram record labels will be reorganised into four units. On the West Coast, Universal's MCA Records will remain independent under Jay Boberg as chairman. Interscope Music will run Geffen Records and PolyGram's A&M.

On the East Coast, PolyGram's black labels, Motown and Def Jam, will be folded into Universal Records under Mel Lewinter as chairman. PolyGram's Island and Mercury labels will be merged, with Jim Caparro as chairman.

Brussels set to agree Skanska offer

By Emma Tucker in Brussels and Tim Burt in Stockholm

The European Commission will today approve an offer from Skanska, the Swedish construction group, aimed at meeting EU competition concerns about its controlling interest in Scancem, the Nordic region's largest cement and concrete manufacturer.

Under the proposal, Scancem would be obliged to sell its Finnish cement operations and Skanska would unwind its shareholding in the company.

The Commission has insisted on several modifications to Skanska's original undertakings following intense lobbying from Scancem's minority shareholders, who raised concerns that Skanska could use its controlling stake to break up the company before selling down its shares.

It is understood that the modifications limit Skanska's ability to sell off Scancem businesses, with the exception of the Finnish operations, and restrict any attempt by Skanska to seize board control of Scancem with the aim of pursuing a fundamental restructuring.

The case centres on a Commission inquiry into control of Scancem, which was launched after Skanska failed to notify Brussels last year that it had increased its stake in the company from 33 to 48 per cent. The Commission was also concerned at the terms of the 1995 formation of Scancem, created by the merger of Skanska's cement interests with those of Aker RGI, the Norwegian conglomerate.

According to Skanska's advisers, the modifications will still grant the company full use of its voting rights to reconstitute the board of Scancem and pursue the disposal of the company's Finnish operations.

Skanska is ready to convene an extraordinary meeting to replace Sven Ohlsson, Scancem chief executive, with someone who will push through the restructuring of the company's Finnish cement operations.

The company has conceded, however, that the newly reconstituted board will not have the freedom to break up the company.

"Once the Finnish cement disposal is completed, Skanska representatives will have parity on the board with other shareholders," said an official involved in the Commission negotiations.

According to officials acting for Aker, however, Skanska will only be able to use its controlling voting rights in full during the first stage of a predetermined divestment period, during which the Swedish construction group is expected to reduce its stake in Scancem.

During that period it could sell the Finnish operations. But thereafter it will be allowed to exercise voting rights only up to a level of 41 per cent – giving it parity with Aker RGI.

FOOD PRODUCERS CHIEF EXECUTIVE SAYS SITUATION WORSE THAN ANTICIPATED AS GROUP WARNS AGAIN

Booker may breach bank covenants

By David Blackwell

Booker, the distribution group, yesterday warned it might breach its banking covenants just four weeks after its new chief executive took charge.

The news was announced alongside the company's third profits warning in 12 months and the dismissal of Adrian Busby, head of its cash and carry operations. There will be no final dividend.

The shares, which rose to 120p after Stuart Rose was appointed chief executive at the end of September, almost halved to 64½p – a level last seen in the early 1980s.

Mr Rose said yesterday that "the gaps between perception and reality are greater than I anticipated." Second-half profits are now expected to be in line with the £11m ($18.3m) of the first half – giving a final outcome of £22m compared with forecasts of £65m or more.

City analysts were shocked at the scale of the problems, and not convinced that solutions were forthcoming. One described Mr Rose's performance in a conference call as "deeply underwhelming".

Yesterday's trading statement said that the expected sales improvement at Booker Belmont Wholesale, which has been extensively restructured following the £264m acquisition of Nurdin & Peacock in 1996, had "not materialised in a more difficult second–half trading environment". Mr Rose said that problem would account for about half the profits shortfall.

A further 25 per cent would be accounted for by the failure to get further discounts from suppliers now that there are just four central warehouses supplying the cash and carry operations. The remaining 25 per cent of the shortfall was because the expected cost-savings from a whole raft of management schemes had not been delivered.

Mr Rose said the group was not in breach of its banking covenants, but would be if the expected results this year were confirmed. That would leave the group below the interest cover required of 2¼ times.

The statement said the group was working with its main banks, which had "indicated their support for the new management team and their strategy".

Debt at the end of the year is expected to be approaching £300m, in spite of the disposals completed over the past 12 months. Last month, the group sold its Danish seeds business for £29m and its fish and fish-processing businesses for £47.5m.

The group expects to complete the sale of its Arbor Acres poultry business shortly, and has received inquiries on the Marine Harvest McConnell salmon farming operations. Yesterday, the small wholesale foods distribution and the contract food distribution businesses joined the disposal list.

However, analysts said the group now found itself almost in the position of being a forced seller, which would have an inevitable impact on the prices fetched by the disposals. "They need the disposals to keep the banks onside," said one.

CWC back in the black with $108m

By Alan Cane

Cable and Wireless Communications, the UK's largest cable television-to-telephony group, returned to profit in the first half of the year despite substantial investments in infrastructure and measures to cope with the millennium bomb.

The group recorded a profit, before and after tax, of £65m ($108m) in the six months to September 30, compared with a loss of £135m last year. Underlying profits before tax, after stripping out the effects of £200m restructuring costs last year and an £8m millennium bomb charge this half, came to £73m (£65m).

Earnings before interest, tax, depreciation and amortisation increased 17 per cent to £390m. Underlying earnings per share improved 12 per cent to 4.9p a share.

The results were slightly above market expectations and the shares closed up 15p to 476p.

Turnover increased 14 per cent to £1.26bn helped by powerful growth in data, video, internet and advanced services. Graham Wallace, chief executive, said the proportion of total turnover from the faster growing parts of the business had increased from 20 per cent to 25 per cent.

"Many our our activities in the last six months were aimed at improving customer service and productivity. The outsourcing of commercial information technology to IBM will increase the speed of delivery of improved systems into the business, he said."

All four business units showed growth. Consumer markets showed a 20 per cent improvement to £139m chiefly through a 29 per cent improvement in telephony revenues. Business markets grew 2 per cent to £190m, reversing the trend of previous years, while corporate markets grew 7 per cent to £320m. International and partner services grew 22 per cent to £450m and CWC now claims to be the ninth largest carrier of international traffic.

It intends to spend £75m dealing with the millennium bomb.

CWC will introduce interactive digital television probably early next summer. Television accounts for only £108m of its £1.26bn total revenues. Digital television, however, is just another form of data and data services are growing rapidly.

Graham Wallace (left) and Dick Brown, chairman: the company plans to introduce interactive digital television next summer Ashley Ashwood

Abbey National to drop PwC as its auditor

By Jim Kelly

Abbey National said yesterday it wanted to drop the new accountancy firm PwC as auditor and switch to Deloitte & Touche amid concern over the new firm's domination of parts of the audit market for the UK's biggest companies.

Abbey said it had put the £4.3m ($7.1m) annual contract out to tender, following the merger of its auditors Coopers & Lybrand with Price Waterhouse this year, because of concern over the "concentration of UK banking and life assurance audits".

At the time of the merger PwC audited 47 of the FTSE 100 companies and half of all FTSE 100 companies in the financial-services sector. Abbey pointed out that PwC audits competitors like Lloyds TSB, Barclays, and Royal Bank of Scotland.

Shareholders will be asked next year to back the board's recommendation. Until then PwC will remain as auditors.

The merger raised concerns amongst regulators that consolidation could reduce choice, undermine public confidence in auditor independence, and result in highly skilled auditors in sectors like banking and insurance flocking to one firm.

Abbey is keen not to be seen as campaigning against PwC or acting as a regulator and declined to elaborate on its decision. However, Lord Tugendhat, chairman, is understood to have been concerned that PwC would not be able to deliver its "ATeam" to audit the bank.

But PwC was considered for reappointment and the Abbey said it had been "very well served" by Coopers in the past. "We may well work on other assignments with PwC in the future," said Lord Tugendhat.

PwC said that at the time of the merger a small group of companies had expressed concerns but that only Abbey National had taken action: "They are concerned about market share. But all the indications are that this is a 'one off,'" said Roger Hughes, head of audit in the UK.

Anne Simpson, joint managing director of corporate governance group Pirc, said: "This issue is becoming extremely serious. You want to have a range of people so that you have the best advice. And Chinese Walls have to be a mile high if they are doing the kind of audit we want."

PwC's competitors amongst the Big Five firms believe that other companies will follow Abbey National over the next few years. "Being the biggest is a threat not a promise," said one senior partner with a competitor.

"This is a significant boost for our firm and one of the most important gains ever for our financial-services practice," said Martin Scicluna, chairman of Deloitte & Touche. At the moment the firm has no FTSE 100 audits in financial services.

Lex, Page 14

Oriflame calls off Swedish sale

By Lucy Smy

Oriflame, the door-to-door cosmetics company, has abandoned plans to dispose of Aco, its Swedish make-up brand.

Although a sale was agreed in August, Oriflame has decided to keep the business because its revenues are more stable than those of its core business selling cosmetics through armies of saleswomen in Russia, eastern Europe and India.

Robert af Jochnick, Oriflame chairman, said: "Aco is solid and stable and has a more important role to play".

But he insisted that Oriflame's goals were unchanged. "In the long-term perhaps we are not the right owners," he said.

Oriflame, which is quoted in London, had signed a letter of intent to sell Aco for SKr190m ($24m).

Mr af Jochnick said yesterday there were no hard feelings about the change of heart over the sale.

He said direct sales would continue to be the core business, making up about 85 per cent of turnover, and there were no plans to change that strategy.

The shares closed 10p lower yesterday at 145p.

In Russia, where sales have been hardest hit by the devaluation of the rouble, he said there was some small rise in sales in recent weeks.

"Although the banking system doesn't work properly and we have some funds frozen in certain banks, things are stabilising a bit. Right now we are seeing a rather more positive scenario – although it all depends on whether Russia goes into hyper-inflation."

The company is already facing a margin squeeze on business since rouble devaluation.

"While the rouble has devalued by 100 per cent, we have only been able to increase prices by 60-70 per cent," Mr af Jochnick said.

British Energy and EdF tie in bid battle

By Andrew Taylor

British Energy, the nuclear generator, and Electricité de France, the state-owned power monopoly, were neck-and-neck last night in the race to buy London Electricity after both made similar cash offers of about £2bn ($3.3bn).

Entergy, the US owner of the UK capital's power supplier, is thought to be prepared to give the companies until the end of this week to see if a higher offer will be made. It will also need to be reassured that any deal will not be held up by regulatory issues.

EdF would appear to have the greatest problems. The large state-owned company is Europe's biggest electricity generator and supplier, exporting about 17 per cent of domestic production to neighbouring countries including Britain.

It supplies about 6 per cent of the UK power market through a connector under the Channel. Peter Mandelson, UK trade and industry secretary, recently expressed concern that the connector had become a one-way ticket for EdF to export cut-price power at the expense of coal-fired generation in the UK.

Entergy will need to see clear water between an EdF cash bid and a British Energy offer if it is to take the risk of a French deal being blocked by British or EU competition authorities.

British Energy is the country's largest generator, supplying about 21 per cent of its power needs. Until this year ministers have frowned on attempts by large British generators to buy regional electricity supply companies.

Mr Mandelson, however, recently approved a £1.9bn takeover by PowerGen, the country's second largest fossil fuel generator, for East Midlands, the third largest electricity supplier, provided PowerGen sold 4,000MW of coal-fired generating capacity.

The industry secretary, who wants similar plant disposals from National Power, is keen to reduce the price setting power of the large fossil fuel generators.

British Energy, which owns no coal- or gas-fired power stations, will argue that the PowerGen deal has set a precedent and that its offer for London Electricity should be allowed to proceed.

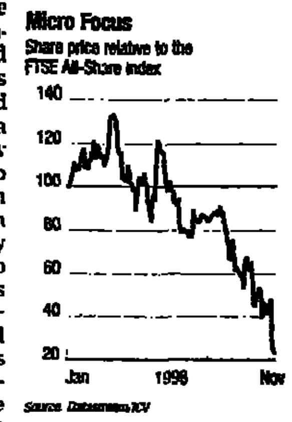
It might also be difficult to find buyers for nuclear plant should officials seek disposals from British Energy.

Entergy needs to maximise cash from disposals to reduce borrowings and refocus its business. London Electricity, bought for £1.3bn in 1996, is the largest of a series of planned sales expected to raise more than $4bn. Also up for sale is CitiPower, its electricity distributor in Victoria, Australia.

Bids for London had to be submitted by Monday this week.

COMMENT

Micro Focus



Here is a conundrum. The cost of defusing the millennium bomb in the US and Europe has shot up and it is proving more complicated than expected, according to a survey by Cap Gemini. How does that square with Micro Focus's warning of a drop in millennium-related work in the US? One explanation may be that many companies no longer need Micro Focus's software to trace the problem, but still have to spend to test their systems. Others may still have big investment programmes to fix the millennium bomb, but are spending a large part of it in-house. In other words, these two pieces of news are not necessarily in conflict. But if a large number of IT companies report a slowdown, it should mitigate some of the millennium panic.

Booker

Stuart Rose may not call it a kitchen sink job, but everyone else will. Hardly a negative was left out of yesterday's shocking assessment of Booker's state. Indeed the only question is how big the full-year losses will be after further charges. With interest costs running at roughly £40m, it is no wonder the banking covenant dictating 2½ times cover is set to be breached. The previous management was "over-optimistic" on this count, as well as on the sales improvement and savings they could achieve.

The charitable view is that Jonathan Taylor, chairman, who has at last retired, was diverted by attempts to sell the group. But leaving the chief executive's post vacant since March was a mistake at a business that needed turning round. Institutional shareholders and non-executive directors should have pressed for rapid renewal of the management team.

So what can be salvaged? First, average net debt of £500m needs to be brought down. Planned disposals, including deferred payments, should bring in at least £150m. That and, surely, some cash generation should cut interest costs to less than £30m. Restore operating profit margins in the cash and carry and food services business to 1½ per cent on about £4.5bn sales and interest cover is back where it should be. This would yield earnings per share of about 11p. Mr Rose will have to do better than that to make a profit on the shares he bought at 124p. But there seems little point in shareholders, or the banks, giving up on Booker now.

Lonrho Africa rejects Blakeney committee plans

By Andrew Edgecliffe-Johnson

Attempts by Lonrho Africa to reach a compromise with Blakeney Management, the fund manager seeking a shake-up of the company's board and businesses, failed yesterday afternoon.

The sub-Saharan conglomerate now faces a shareholder vote on whether to replace its three non-executive directors.

Miles Morland, chairman of Blakeney, said it had talked to companies interested in investing in or buying more than 90 per cent of Lonrho Africa's assets.

Lonrho Africa objected to Blakeney's proposal for a strategy committee responsible for disposals and acquisitions because Blakeney would supply two of its four members, including the chairman.

It also rejected Blakeney's proposed nomination committee, in which Blakeney's nominees would hold two of the three posts, and the suggestion that Robert Fleming, Blakeney's adviser, should advise on all Lonrho Africa's deals.

Bernard Asher, Lonrho Africa chairman, said Blakeney's proposals would split the board into "fiefdoms".

Mr Asher pointed to the fact that George Soros, the US hedge fund investor, holds stakes in a number of Blakeney's associates, and said Mr Morland's actions seemed to confirm the company's concerns about Mr Soros's possible involvement.

Mr Soros's Quantum Fund has taken a small stake in Lonrho Africa, and his brother is a director of African Plantations, one of Blakeney's associates. But Mr Morland dismissed suggestions of a Soros connection.

Mr Asher was also infuriated by Blakeney's request that the company should pay for the fund manager's expenses. "If he had asked me to pay for two second-class postage stamps I would have thought it was outrageous," Mr Asher said.

Mr Morland, in turn, accused Mr Asher of having "the consistency of a windscreen wiper."

Blakeney wrote to Lonrho Africa's 33,000 shareholders yesterday, saying its board was incapable of taking advantage of the opportunities offered by Africa, because it ran the company as a conglomerate.

Ryanair is confident on outlook

By Jonathan Ford

Ryanair yesterday unveiled a 24 per cent increase in interim pre-tax profits to I£29.4m ($43m) and expressed confidence about the outlook for the rest of the year. However, the Irish low-cost airline said falling consumer confidence in the UK could hit the demand for air travel.

Michael O'Leary, chief executive, said Ryanair would be affected if consumer demand weakened further because 62 per cent of its revenues came from the UK.

He said the airline's trading performance would be "resilient" to a downturn because of its low operating costs and strong balance sheet. Following its I£50m share offering in July, Ryanair has I£100m of net cash.

Mr O'Leary said competition in the UK low-cost sector had intensified since the launch in May of Go, British Airways' low-cost subsidiary. However, the impact of this was being felt mainly by conventional carriers.

Ryanair carried 25 per cent more passengers in the first half, reflecting the introduction of six new European routes and growth on its other 21 services.

This generated revenues of I£130.5m (I£96.9m).

However, passenger yields tumbled by 7 per cent year-on-year owing to the weakness of sterling against the Irish punt. Excluding the translation effect, yields were flat.

Ryanair is considering reporting in sterling because UK revenues are set to grow as a proportion of the whole.

It is planning to add up to six new routes next year, all of them from London airports.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Business Post	6 mths to Sept 30	52.5	(46.6)	8.8	(9.38)	11.6†	(12.5)	5	Jan 5	4.4	-	14.5
CWC★	6 mths to Sept 30	1,257	(1,103)	65	(135L♠)	4.4	(9.1L)	-	-	-	-	-
Chamberlin & Hill	6 mths to Sept 30	15.5	(13.8)	1.61	(1.35♥)	14.45†	(13.29)	3.3	Dec 17	3	-	9.25
Coffee RepublicΦ☆	6 mths to Sept 30	1.85	(-)	0.724L	(-)	0.76L	(-)	-	-	-	-	-
Dairy Crest	6 mths to Sept 30	384.4	(403.3)	20.7	(18.7)	13.9	(11.8)	3.85	Jan 22	3.5	-	10.9
Exeter Investm'tΦ	Yr to Sept 30	7.3	(5.11)	2.07♥	(1.2)	14.75	(8.48)	4.5	Jan 4	3.1	6.5	4.4
Newsquest☆☆	40 wks to Oct 4	235.2	(216.5)	49.6	(27.9)	-	(-)	-	-	-	-	-
Paramount	Yr to May 31	6.3	(5.61)	0.539♥	(1.39L♠)	2.83	(13.22L)	-	-	-	-	-
Ryanair‡	6 mths to Sept 30	130.5	(96.9)	29.4	(23.8)	13.75	(11.84)	-	-	-	-	-
Telemetrix $	39 wks to Sept 26	34.5	(84.5)	18.5L■	(7.6L■)	2.08L	(0.2L)	-	-	-	-	-
Umeco	6 mths to Sept 30	26.7	(22.8)	2.73	(2.05)	12†	(9.7)	2.4	Feb 12	2.1	-	7

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cairngorm B Socs	6 mths to Sept 30	145.95	(125.4)	28.6	(37.4)	1.99	(2.62)	1.4	Dec 4	1.4	-	4
Mercury Keystone★	Yr to Sept 30	1023.67	(1061.5)	4.72	(4.49)	33.13	(31.61)	17	Dec 17	14.5	25	21

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ☆No comparatives available. ☆☆Comparatives 39 wks to Sept 30 1997. ★Comparatives restated. $US currency. ■Net income. ‡Irish company.

DuPont to buy ICI reagent business

By Virginia Marsh and Chris Tighe

Imperial Chemical Industries is ceasing production of solid reagent chemicals on Teesside and selling the business's commercial interests, mainly intellectual property and the customer base, to DuPont of the US for an undisclosed sum.

ICI said yesterday it was leaving the business – which makes chemicals used in the extraction of gold from ore – to concentrate on liquid reagents which are sold into the agrochemicals, pharmaceuticals and fine chemicals markets. The business that has been sold has annual sales of about $25m and was part of ICI Acrylics, which is in the group's materials division.

In its third-quarter results statement, ICI said pricing and volume pressures had increased significantly at Acrylics, partly because of difficult trading conditions in Asia. The solid reagent chemicals business at Billingham dated back 60 years, one of ICI's oldest activities on Teesside. The announcement means the loss of 90 jobs, reducing the workforce at Billingham to about 410.

JOHN KAY

Something stirring in the gene pool

Genetic testing will affect not only insurance risk but many other areas

"The fault, dear Brutus, is not in our stars, but in ourselves, that we are underlings."

Cassius was not buying insurance when he said this. But if he had been, he would have understood why he could insure against being struck by lightning, but not against banishment. And those who read his words today will appreciate why they are regularly offered financial protection against damage to property or personal injury, but not divorce, pregnancy or redundancy. The answer lies in the difference between the faults in ourselves and the faults in our stars.

A lightning strike is truly a random event, and an insurance company that pools a lot of these risks can be fairly confident of the outcome. But divorce, pregnancy and redundancy are partly under individual control, and the people who may experience them know better how likely they are than any insurance company. If you want to insure against becoming pregnant, I don't want to sell you the policy.

What are the relative roles of personal responsibility and unpredictable misfortune? How much do we know about ourselves relative to what others know, and how reliably can they find it out? Caesar was warned to beware the Ides of March, but did that change the allocation of blame for his fate between himself and the conspirators?

It is the answers to these questions that differentiate those risks that can and should be left to the private insurance market, like fire and theft, from those such as abrupt loss of office that typically fall on individuals themselves. In many countries these latter risks are partly covered by the state. It offers benefits to lone parents, mothers and their children, and to those who lose their jobs.

Where risks are not random, we generally need to worry about fault. If, as in the US, there is very little social insurance to cover personal risks, then the only way you can avoid bearing them yourself is to attribute blame to someone else. That partly explains why America is such a litigious society.

In Europe, where social insurance is more extensive, we try to limit provision, though not eliminate it, for those whose plight is their own fault. So we withhold some benefit from people who left jobs voluntarily, we are unsympathetic to divorcees without children, and we agonise over how supportive we should be of lone parents. In all these cases, our society's assessment of the relative contribution of individual responsibility and genuine misfortune governs the generosity of our social insurance provision.

And it is why in most countries outside the US, medical insurance has, in effect, been nationalised. There are elements of luck in the incidence of any illness. But there may also be elements of personal responsibility. And even if there is no fault, nor is there randomness. It is not difficult to assess that some people are more likely to get ill than others, by virtue of their age, their lifestyle, or the knowledge that they themselves have.

In sectors such as these, private insurance markets tend to unravel, as insurers pick off the better risks. Private medical insurance only works well either when it is based around employers or where its operation is so regulated by government that it really constitutes a health service rather than a private insurance market.

The nature of the risks that individuals face, the difference between true misfortune and personal responsibility, and what we know about the risks we face relative to what others know, are fundamental to the design of our social, economic and political institutions.

That is why the recent announcement that the British government wants to work with the insurance industry on a voluntary code to evaluate genetic testing is so significant. We see the opening of a Pandora's box which, once opened, cannot be shut again. No attempts to reverse the march of technology, or to suppress knowledge, have succeeded for long.

As our knowledge of genes grows, we change the boundaries between what we think is determined for us and what is a matter of our own choice and responsibility. And we alter the distinction between what we know about ourselves and what others can know about us. Most immediately, this will be relevant to life and medical insurance, as what have hitherto been unpredictable, and hence insurable, events become more predictable. This is why insurance markets are not ultimately a viable solution to the problems of ill-health, pensions or long-term care.

But the full ramifications go wider. It is no more true that I commit crimes because of my criminal genes than that my crimes are all the fault of society. But there is enough in both contentions to make it ultimately impossible to distinguish clearly nature, nurture and personal responsibility. Yet it is not just social attitudes, but economic institutions – from the welfare state to the commercial legal system – that depend on that distinction. The more we learn about either sociology or genetics, the more tenuous the distinction becomes.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

MANAGEMENT BOOK REVIEW

Cheap shot at a retailing legend

Wal-Mart's founder deserves better than this mean-spirited monument, says **Richard Tomkins**

Sam Walton was the ultimate American entrepreneur. He opened the first Wal-Mart discount store in 1962. When he died 30 years later, he left behind the world's biggest retail empire, with sales last year of $118bn.

It is one of the most extraordinary success stories in US business history. But you would hardly know it, to read this perplexing, mean-spirited account.

The book is right about one thing: as Walton readily acknowledged, he hardly had an original idea in his life. Discount stores were already a well-established concept in the US when the first Wal-Mart opened in Bentonville, Arkansas.

But while Kmart and other discount chains had built rings of stores around big cities, Walton's one great insight was to recognise that small-town dwellers craved low-priced consumer goods just as much as suburbanites, and he built his empire from the rural depths of Arkansas, Oklahoma and Missouri.

You get the sense from reading Walton's life story that he would have succeeded at anything he chose to do. A compulsive over-achiever, he was gifted with enormous reserves of energy and a powerful charisma.

After falling into retailing almost by accident, he threw everything he had into it. Cutting costs became an obsession, extending even into his private life. One of the richest men in the world, he drove around in a clapped-out pick-up truck, and he borrowed dimes and quarters to make telephone calls rather than spend his own money.

It is a fascinating story, but unfortunately, it has been told before – not least in Walton's autobiography, a gripping, folksy tale that tells you everything you need to know about what made him tick. So this book tries a different approach, setting out to demonise the company and its founder.

It is a strange endeavour. The author – of all things, a reporter for The Wall Street Journal – appears to despise everything Wal-Mart stands for, variously adopting the language of labour union activist and religious zealot to attack the company for its relentless pursuit of profit.

Only fleetingly does Bob Ortega acknowledge the benefits Wal-Mart has brought: the jobs created, the wealth generated, and the billions of dollars consumers have saved during the years through its low prices. On the other hand, it dwells at indigestible length on three well-worn criticisms of the company: that its expansion has driven smaller, mom-and-pop stores out of business, that it is anti-union,

IN SAM WE TRUST

By Bob Ortega

$25.95
Times Books

Walton: readily acknowledged that he hardly had an original idea in his life — Louis Psihoyos

and that some of the goods in its stores are made in sweatshops overseas.

One obvious problem with these criticisms is that they can only be considered derogatory if one shares the author's political point of view. As Mr Ortega acknowledges, those who do not share it include the editorial writers of his own newspaper, who last year attacked the labour movement's anti-sweatshops drive as "inching its anti-import agenda one step farther up a big, hopeless hill".

The book's criticism of Wal-Mart's anti-union stance is unlikely to find many sympathisers, either. Early on, it says, Wal-Mart adopted a strategy of keeping the unions out of its stores by treating its workers so well that they did not want to join one. Hands up those who would not wish to work for such a company.

Mr Ortega is slightly more convincing when he worries that the remorseless expansion of Wal-Mart and other big chain stores, if carried to its logical conclusion, could theoretically leave every town in the US with the same selection of goods.

But big retail chains come and go: look at Woolworths. And it is not clear what Mr Ortega regards as a satisfactory alternative to Wal-Mart's expansion. The company is growing because people like shopping in its stores. Should the government intervene to prevent Wal-Mart giving shoppers what they want?

The book's fundamental defect is that, while masquerading as an attack on Wal-Mart, it is really an attack on western consumer culture and the American way of doing business. Wal-Mart's business ethics are no better or worse than those of any other big retailer: or indeed, of Coca-Cola, McDonald's or Walt Disney. People may dislike these companies and the way they operate, but if they do so, they are never going to be happy living in the US.

Mr Ortega appears to be very unhappy indeed. He ends his book by describing a conversation with a Tibetan Buddhist friend about karma and reincarnation, in which the friend tells him how covetous and greedy people run the risk of being re-born as "hungry ghosts".

"In the realm of the hungry ghosts," he says, "they are constantly ravenous, but can never be satisfied. They despoil and devour everything around them. They consume and consume endlessly and insatiably. It struck me immediately as a metaphor for our own consumer culture.

"I don't presume to know where Sam Walton wound up after he passed on. But I can't help but think, at times, that his hungry ghost is still with us, in the form of Wal-Mart itself."

He is entitled to his view. But a better book might more appropriately have ended with the citation that accompanied the Presidential Medal of Freedom, awarded to Walton a few days before his death: "An American original, Sam Walton embodies the entrepreneurial spirit and epitomises the American dream." Mr Walton, rest in peace.

Available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). UK price £19.99. Free p&p in UK

INFORMATION TECHNOLOGY BRIEFS

'Black box' to offer net saving on voice calls

Commercial internet protocol (IP) telephony holds the promise of low-cost voice calls across corporate data networks using the existing infrastructure.

Until now, that required an IP "gateway" consisting of a costly combination of software and hardware modules designed to be integrated with a PC-based Microsoft Windows NT server. A 30-port system typically costs about £20,000 ($33,000).

VegaStream, a small UK-based company, believes it has overcome these limitations with a range of hardware-only "black box" IP gateways that connect directly to a local area network. A low-cost version, the Vega 50, costs less than £2,000.

By building the gateway around a high-performance Risc processor with the voice-processing technology integrated into the hardware, the company claims not only to have developed a low-cost IP gateway but also to have improved performance.

On dialling, the caller's access credentials and the number being called are confirmed before the connection is established across the network to another gateway device at the receiver's local intranet node. Once speech starts, the gateways at either end convert the standard digitised audio streams into IP packets, and then back into digitised speech.
www.vegastream.com

Scanner chooses required text

Retyping bits of text in printed documents is tedious and time-consuming, but the solution of combining a full-page scanner and optical character recognition (OCR) software is rather clumsy.

Now, Image Recognition Integrated Systems, a company based in Belgium, has developed the IRISPen, a small, lightweight, handheld scanner. The user simply drags the pen over the required text, which is automatically entered into the software application.

IRISPen, which is available in three versions and connects to a PC's parallel port, scans text sizes from 8pt to 22pt even on coloured backgrounds or inverted text. It uses IRIS's own software.

The mid-range IRISPen Executive also includes a text-to-speech function that "reads" back text as it is scanned, so users can verify the scanning process. The top-of-the-range IRISPen Translator includes software that enables the scanner to translate to and from English into German, French, Italian, Spanish or Japanese.

All work with Windows and Macintosh operating systems except Translator, which is available for Windows 95/98 only. UK prices start at £129.
www.irislink.com

Devices with internet on chip

A chip developed by Toshiba, the Japanese electronics group, and iReady, a California-based start-up, promises to provide an affordable way to add internet capabilities to devices such as mobile phones, digital cameras, televisions, electronic games and fax machines.

The internet-on-a-chip design, Internet Tuner, will enable manufacturers to add networking, e-mail and web browsing features to products, creating what Toshiba believes will be a new category of electronic devices with built-in internet capabilities.

The new chip incorporates internet functions into semiconductor logic rather than software, solving power consumption and cost problems and providing "drop-in internet functionality".

Traditional computer-centric approaches to embedding this type of functionality into consumer electronics devices have proved unsuitable for a market that relies on high-volume, low-cost manufacturing. Ryo Koyama, iReady's chief executive, believes the chip will first appear in mobile phones, allowing easy wireless access to e-mail, information services such as share quotes, and corporate data such as contacts lists.
www.toshiba.co.jp
www.ireadyco.com

Crystal clear for communications

The explosive growth of the internet is intensifying the demands on its supporting infrastructure, spurring the deployment of terabit-class high-speed optical communications. These can deliver data at one terabit (one million million bits) per second.

However, this requires technology that can support the use of a wide range of wavelengths of light – unfortunately, current refraction technology limits the degree of integration, blocking the way to lower-cost LSI (large scale integration) devices.

Eleven years ago researchers in the US proposed a solution in the form of a photonic crystal, and since then scientists have been working to harness its capabilities in use with ultra-low-power semiconductor lasers. Now NEC, the Japanese electronics group, and a team led by Professor Shojiro Kawakami of Tokyo university, working in conjunction with NTT Opto-electronics laboratory, believe they have cracked the problem.

They have developed a "super prism" effect using a photonic crystal which enables a much greater refraction of light in a prism only one-hundredth the size of contemporary optical devices.

The team claims the crystal is between 100 and 1,000 times more capable of refracting light than glass. While glass prisms struggle to divide very short wavelength light (between 1.0 and 0.9 micron wavelength), the photonic crystal can refract each wavelength by up to 60 degrees.

Because the crystal is so small, the researchers believe it will be possible to integrate it into high-density optical communication LSI chips capable of supporting terabit fibre optic communications.
www.nec.co.jp

IRISPen can verbalise text aloud as it is scanned

DVD heads for mainstream

A sure sign that a new technology is about to enter the mainstream is when the big consumer electronics companies begin to roll out products.

Sharp's entry into the European DVD market with an innovative player, the DV-560H, suggests that the DVD market may finally be about to take off in terms of home entertainment.

The machine includes two features developed by the Japanese electronics group: digital gamma correction which enhances dark areas of the screen without saturating light areas, and digital super picture which provides greater clarity around the edges of objects or people in a shot.

The latest MPEG2 compression technology means picture quality is stunning, while the DV-560H provides digital quality sound with a built-in AC3 Dolby Digital surround sound decoder providing six separate sound channels.

Significantly, the first DVD players are appearing as software publishers begin to release a fresh series of titles.

Sales of DVD discs and players in the US have been brisk. More than 340,000 DVD players were sold in nine months after their US launch, together with 5m discs, according to Warner.
www.sharp.co.jp

Paul Taylor

EQUITIES

Europe drifts on profit-taking

EUROPEAN OVERVIEW

By Vincent Boland

European share prices drifted downwards again yesterday as a bout of profit-taking set in, amid signs the recent rally is running out of steam. An indifferent opening on Wall Street confirmed the weaker trend, although US stock prices were beginning to recover in afternoon trading.

Dealers said the general mood was one of caution, with investors reluctant to commit new money to shares following good recent gains. Declines were evident across the board, with only selected stocks and sectors posting gains. Chemicals and banking were among the weaker performers.

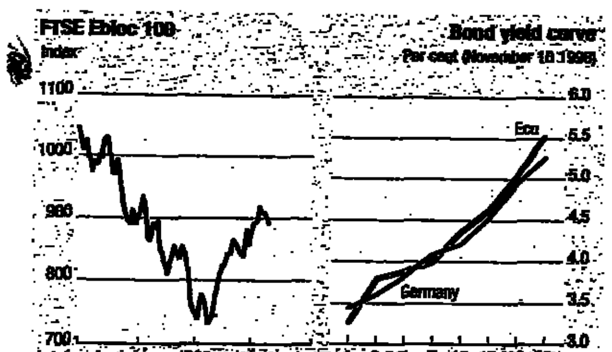
The FTSE Eurotop 300 index fell 11.59 or 1.07 per cent to 1,073.21, reflecting losses of that magnitude across the main European markets. The FTSE Eurotop 100 index fell 27.51 or 1.1 per cent to 2,465.62 while the FTSE Ebloc 100 index of emu candidates fell 13.86 or 1.53 per cent to 889.21.

BASF dragged the chemicals sector lower after revealing third-quarter results that were hit by the weaker dollar, and a warning that next year would see a further slowdown. The company's shares fell Ecu 1.1 to Ecu 32.51.

Others to feel the pinch were Bayer, down Ecu 1.4 to Ecu 32.97, and Solvay, down Ecu 2.2 to Ecu 62.15. Ciba Specialty Chemicals fell Ecu 4.3 to Ecu 84.78 on profit-taking after the news on Monday that it was to merge with Clariant. Hoechst, which owns 45 per cent of Clariant, fell Ecu 1.1 to Ecu 36.27.

Banks were weaker, with Paribas shedding Ecu 2.9 to Ecu 63.12 and UBS off Ecu 7 to Ecu 220.73, also succumbing to investors taking profits. Leading brand names were down on a variety of factors, led by LVHM, which said it would not be consolidating profits from its stake in Diageo. The shares were down Ecu 5.2 to Ecu 153.55.

■ FTSE International is to launch three real-time European mid-cap indices on November 16. The FTSE EuroMid indices will track the performances of pan-European, euro-zone and Europe ex-UK medium-sized companies, a part of the pan-European market that has been neglected by investors in the past few years in favour of large-cap stocks.



FTSE Actuaries Share Indices — European series

November 10

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rate (Ecu)
FTSE Eurotop 300	1073.21	−1.07	−11.59	2.56	30.04	1109.89
FTSE Eurotop 100	2465.62	−1.10	−27.51	2.58	37.56	882.95
FTSE Ebloc 100	889.21	−1.53	−13.86	2.39	14.33	901.90
FTSE Eurotop 300 Regions						
Eurobloc	1130.83	−1.43	−16.37	3.02	0.00	1130.83
UK	769.89	−1.40	−10.91	2.56	0.00	769.89
Europe Ex-Eurobloc	904.89	−1.17	−9.50	2.47	0.00	904.89
Europe Ex-UK	1118.55	−1.49	−16.94	2.26	20.87	1141.69
FTSE Eurotop Industry Sectors						
RESOURCES	1009.65	−0.42	−4.30	3.02	49.18	1075.14
Extractive Industries	1037.66	−0.62	−6.48	2.88	38.09	1085.19
Oil, Integrated	1110.30	−1.39	−15.68	2.23	19.36	1130.47
GENERAL INDUSTRIES	838.82	−1.61	−13.70	3.39	29.22	677.17
Construction	794.10	−2.03	−16.47	4.34	14.54	810.87
Building Matls & Merchs	808.55	−1.59	−13.04	3.35	21.73	828.13
Chemicals	988.91	−1.65	−16.20	2.89	20.31	988.38
Diversified Industrials	930.53	+0.06	+0.60	3.00	11.06	941.36
Electronic & Elect Equip	867.85	+0.18	+1.57	2.58	8.96	875.34
Engineering	816.81	−2.69	−22.62	2.95	17.45	831.23
Paper, Pckg & Printing	890.91	−1.02	−9.16	2.66	17.48	908.19
CONSUMER GOODS	822.50	−1.33	−11.05	2.03	5.41	826.98
Automobiles	818.26	−0.78	−6.45	4.02	11.68	828.22
Alcoholic Beverages	771.77	−1.32	−10.29	3.03	1.21	772.73
Food Producers	1114.10	−0.49	−5.52	1.68	49.50	1177.84
Household Goods & Texts	784.76	−3.60	−29.27	3.32	10.25	792.03
Healthcare	858.24	−2.76	−24.32	3.10	296.79	1278.53
Pharmaceuticals	945.40	−0.17	−1.56	1.60	9.79	954.45
Tobacco	958.77	−1.49	−14.49	1.99	7.88	963.94
SERVICES	900.94	+1.59	+14.10	1.20	13.51	914.42
Distribution	980.64	−0.22	−2.18	1.31	5.27	985.96
Leisure & Hotels	1207.23	+0.72	+8.66	4.18	15.88	1223.83
Media	1098.98	−0.62	−6.91	2.14	22.57	1129.20
Retailers, Food	774.90	+1.12	+8.61	2.81	11.37	783.60
Retailers, General	721.33	−1.60	−11.70	3.43	12.27	730.76
Telecommunications	982.52	−0.31	−2.99	2.29	10.68	972.80
Breweries, Pubs & Rests	1003.92	−0.87	−8.81	2.04	14.17	1018.43
Support Services	918.71	+0.25	+2.32	3.43	19.32	936.51
Transport	1011.27	−0.36	−3.62	1.90	13.02	1023.56
Information Technology	741.91	+0.14	+1.01	3.60	16.00	755.04
UTILITIES	918.47	−1.78	−16.63	1.60	9.67	928.21
Electricity	918.35	−1.09	−10.15	2.67	18.24	935.28
Gas Distribution	889.59	−2.45	−21.83	0.42	2.33	871.66
Water	1405.21	+0.39	+5.41	3.13	55.62	1483.82
FINANCIALS	1049.66	+0.32	+3.32	3.31	26.23	1077.69
Banks, Retail	1148.19	−0.96	−11.14	1.62	93.32	1264.23
Insurance	1047.66	+3.43	+34.77	4.83	38.72	1067.67
Life Insurance	1128.65	−1.43	−16.43	2.89	27.32	1158.84
Other Financial	774.11	−1.81	−14.24	3.77	12.86	784.50
Investment Companies	883.19	−0.97	−8.65	1.57	11.79	893.84
Property	1043.14	−0.67	−7.05	1.86	12.98	1056.68

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THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

OTHER INDICES

[illegible]

FTSE EUROTOP 300

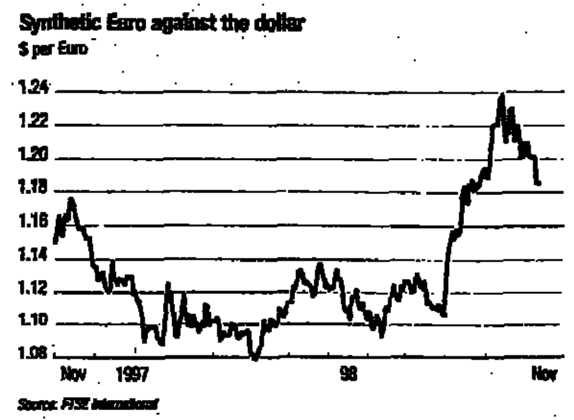
[illegible]

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 10	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.051533	−0.0027	−0.02	+0.0009	+0.01
Belgium	BEF	41.213971	+0.0079	+0.02	+0.0229	+0.06
Czech Republic	CZK	35.191394	+0.1881	+0.54	+0.3833	+1.10
Denmark	DKK	7.592659	−0.0006	−0.01	−0.0006	−0.01
Finland	FIM	6.074761	+0.0010	+0.02	+0.0012	+0.02
France	FRF	6.697893	+0.0015	+0.02	+0.0016	+0.02
Germany	DEM	1.997247	−0.0003	−0.02	+0.0001	+0.00
Greece	GRD	337.207374	+0.5272	+0.16	+0.7630	+0.23
Hungary	HUF	257.424242	+0.8125	+0.32	−1.1036	−0.43
Ireland	IEP	0.802694	−0.0000	+0.00	+0.0002	+0.03
Italy	ITL	1975.888934	−0.3958	−0.02	+0.4138	+0.02
Luxembourg	LUF	41.213971	+0.0079	+0.02	+0.0229	+0.06
Netherlands	NLG	2.251528	−0.0005	−0.02	−0.0002	−0.01
Norway	NOK	8.874839	+0.0407	+0.46	−0.0125	−0.14
Poland	PLN	4.076329	+0.0137	+0.34	−0.0407	−0.99
Portugal	PTE	204.788961	−0.0163	−0.01	−2.2440	−1.08
Romania	ROL	11697.058694	+13.5161	+0.12	−138.2141	−1.17
Russia	RUB	19.272720	+0.3920	+2.08	+0.0997	+0.52
Slovakia	SKK	42.734440	+0.0439	+0.10	+0.4537	+1.07
Spain	ESP	169.825281	+0.1061	+0.06	+0.0800	+0.05
Sweden	SEK	9.432803	+0.0759	+0.81	+0.0294	+0.31
Switzerland	CHF	1.647491	−0.0032	−0.20	+0.0172	+1.05
United Kingdom	GBP	0.713367	+0.0001	+0.01	−0.0133	−1.84
ECU	ECU	1.015583	−0.0003	−0.03	−0.0028	−0.27
Americas						
Brazil	BRL	1.412542	+0.0044	+0.31	−0.0224	−1.56
Canada	CAD	1.831561	+0.0158	+0.87	−0.0039	−0.21
Mexico	MXN	11.908762	+0.0447	+0.38	−0.1703	−1.41
United States	USD	1.186014	+0.0023	+0.19	−0.0180	−1.49
Pacific/Middle East/Africa						
Australia	AUD	1.901417	+0.0309	+1.65	−0.0217	−1.13
Hong Kong	HKD	9.179508	+0.0162	+0.18	−0.1442	−1.55
Japan	JPY	145.251080	+1.6631	+1.16	+6.4485	+4.65
Singapore	SGD	1.964631	+0.0054	+0.28	+0.0142	+0.73
South Africa	ZAR	6.701332	+0.1079	+1.64	−0.0772	−1.14

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1822, NLG 0.0577, BEF 0.0388, ESP 0.0948, IEP 0.0116, PTE 0.0150, ATS 0.0328, FIM 0.0187.



EUROZONE CURRENCY CONVERGENCE

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BONDS

INTEREST RATE SWAPS

[illegible]

EUROZONE CORPORATE BONDS

[illegible]

GOVERNMENT BOND SPREADS vs ECU

[illegible]

EUROZONE CREDIT SPREADS vs ECU

Nov 10	S&P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
[illegible]							
Generale des Eaux	N/A	03/04	6.250	FRF	+0.40	+0.36	+0.37
Bank of China	BBB	07/99	7.125	DEM	+2.17	+2.25	+2.39
Natl Bk of Hungary	BBB−	06/01	9.000	ATS	+1.06	+1.12	+2.02
Korea Dev Bank	BB+	11/02	5.625	FRF	+6.28	+6.38	+7.59
Argentina	BB	04/08	8.125	XEU	+5.02	+5.56	+5.85

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

SFE plans greenhouse gas contracts

By Peter Montagnon and Gwen Robinson in Sydney

The Sydney Futures Exchange is planning to launch a market in permits to emit greenhouse gas to take advantage of legislation being drafted by the Australian state government of New South Wales, chief executive Les Hosking said.

The exchange will operate spot, forward and futures markets in the permits, to be issued under legislation designed to meet emissions targets set in last year's Kyoto Protocol. It will provide for bodies such as electricity generators, which routinely emit greenhouse gases, to be allocated a tradeable emissions quota.

This will allow them to sell any surplus quotas or buy in extra quotas if they are short. The market will be given further depth by credits accruing to bodies such as state forests whose activities absorb carbon gases.

NSW has been keen to pioneer the legislation because of the heavy use of brown coal, a relatively dirty fuel, by its generators, as well as its large tracts of forest.

Mr Hosking was quick to seize the opportunity to develop the new market. The SFE is already one of the few futures exchanges to trade electricity through a contract designed to help generators offset sharp price swings at peak load times.

He speaks like a crusader seeking to show there is nothing that cannot be traded. "We are going to securitise air," he said proudly.

The SFE's plan has been made possible by the imminent state legislation, but as other countries address the emissions problem, the exchange could become a hub for greenhouse gas trading in the Pacific region, Mr Hosking said. "Giving business an opportunity to hedge is a much more commercial way of meeting targets than simply imposing limits on emissions," he added.

Kim Yeadon, NSW forestry minister, said the scheme also held potential for investment in "carbon sink" forest plantations in Australia. NSW had set a target of establishing 1m hectares of carbon forest and creating "a dynamic new industry".

The SFE market, which should start within a year, may also appeal to investors seeking to hedge against the economic cycle, since emission levels are closely associated with the pace of economic activity. Within three years the value of contracts outstanding could reach A$3bn (US$1.9bn), he added.

Talks this month in Buenos Aires between governments involved in the Kyoto arrangement have been seeking to develop common standards on emissions trading. This has prompted interest from other exchanges. The Chicago Board of Trade has said the value of the global market could reach about US$100bn once a common system is established.

It will take time to build up. Only about 65 electricity contracts are traded daily on the SFE, a tiny fraction of its main business in Australian interest rate futures, volumes should rise next month when Australia's national grid comes into operation and more companies want to hedge price movements.

Retail sales data boost gilts

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Prices rose yesterday as equities put in a weak performance and uncertainty reigned ahead of the US Federal Reserve Board's decision on interest rates, which is expected next week.

In the UK, the benchmark gilt future closed over half a point higher, outperforming other European bond markets after retail sales figures underscored a dismal consumer outlook.

Sharp falls in some Asian stock markets and media reports in Japan that proposed tax cuts may have run into renewed political opposition were also mildly positive for bonds.

Stephen Hannah, economist at Industrial Bank of Japan, said this showed that "in a region where all the [financial] problems began there are still significant doubts about earnings prospects" and that this was weighing on stocks.

"Looking forward, the trend will be a rally in bonds. There is an inexorable trend towards deflation and a real economic slowdown. This the market has chosen to ignore in the past couple of days but it's started to creep back in," he said.

US Treasuries gained ground in spite of a pick-up in corporate bond issues.

By early afternoon the benchmark 30-year bond was $\frac{3}{32}$ higher at 99$\frac{3}{32}$, sending the yield down to 5.279 per cent. Among shorter-term issues the two-year note was $\frac{1}{8}$ higher at 99$\frac{9}{16}$, yielding 4.508 per cent, while the 10-year note was up $\frac{1}{4}$ to 99$\frac{5}{8}$, yielding 4.822 per cent.

The market continued to trade on speculation about the Federal Reserve's next move on interest rates. Many expect another cut in key rates next week.

Graham McDevitt, head of global bond strategy at Paribas in London, said this would be the main focus for bond markets heading into next week.

"The key is whether the Fed eases. The underlying theme is that 'real money' [cash] investors are not doing a lot and the US market is dictating direction," said Mr McDevitt.

UK gilts closed higher after the British Retail Consortium said sales had fallen 0.6 per cent year-on-year in October, compared with a 1.2 per cent rise in September.

The benchmark December 10-year gilt future settled up 0.58 points at 114.87. In the cash market, the spread between the benchmark gilt and bund narrowed by 6 basis points to 87 basis points.

Traders are expected to pay close attention to today's release of the Bank of England's quarterly inflation report.

Turkey back with DM600m offering

INTERNATIONAL BONDS

By Edward Luce

Turkey yesterday launched its first bond since the Russian crisis, but it had to pay handsomely for the privilege. The three-year DM600m bond, priced at 608 basis points over the benchmark bund, was issued after extensive consultation with German investors, said an official at Commerzbank, joint lead with Deutsche Bank.

The sovereign, which is also rumoured to be preparing a dollar offering in the near future, has large funding requirements, thought to be about $1bn a week for the first quarter of 1999.

The bond, which tightened by about 15 basis points after launch, found a warm reception among mostly German retail investors. The response was helped by the fact that Turkey had redeemed a DM1bn eurobond last month and a DM500m bond in August.

The D-Mark sector has long been Turkey's first port of call owing to historic connections and the German retail sector's fondness for high coupons.

BMW UK Capital, the UK funding arm of BMW, made its debut with a £150m seven-year offering. Dresdner Kleinwort Benson, lead manager, said BMW had looked at other currency sectors but deemed sterling the best in terms of maturity and did not want the costs associated with a currency swap.

The borrower, which is rated A1 by Moody's, offered a spread of 104 basis points over the benchmark gilt. This represented a 30 to 40 basis points pick-up to where AAA-rated corporate paper was trading. The issue tightened by about two basis points after launch.

Officials reported strong demand related to personal equity plans from UK institutions and some retail demand from the continent, with tickets as small as £50,000 going to Swiss investors. "A coupon of 6.125 per cent is very rare in any developed bond market nowadays," said one banker. "Retail investors like that."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sprint Capital Corp	1bn	5.70#(s)	99.983R	Nov 2003	0.60R	+104(Aug03)	Salomon Smith Barney
Sprint Capital Corp	1.5bn	6⅛#(s)	99.926R	Nov 2008	0.65R	+124(May08)	Salomon Smith Barney
Sprint Capital Corp	2.5bn	6⅞#(s)	99.836R	Nov 2028	0.875R	+144(Nov27)	Salomon Smith Barney
Inter-American Dev Bank	1bn	5.375#	99.504R	Jan 2008	0.325R	+64(4¾Nov08)	JP Morgan/MSDW
D-MARKS							
Republic of Turkey	600	9.50	99.50R	Nov 2001	0.50R	+608(Nov01)	Commerzbank/Deutsche
STERLING							
World Bank(a)	200	6.50	103.1694	Jan 2003	0.25	-	Salomon Smith Barney
Ned Waterschapsbank	150	5.625	99.923R	Nov 2015	0.45R	+60(8%Dec15)	Salomon Smith Barney
BMW UK Capital	150	6.125	99.611R	May 2005	0.375R	+104(Dec05)	Dresdner KB
GECC(b)	100	6.00	100.463	Feb 2003	0.225	-	Warburg Dillon Read
World Bank	50	6.25	103.40	Nov 2004	0.275	-	HSBC Markets
EUROS(e)							
GECC	250	4.00	100.15	Dec 2004	0.275	+10(f)	Warburg Dillon Read
NEW ZEALAND DOLLARS							
KfW International Finance	100	6.00	100.35	Dec 2003	2.00	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with £500m. Plus 310 days accrued. b) Fungible with £275m. Plus 278 days accrued. c) Fungible with £250m. No accrued. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Over interpolated yield. s) Short 1st coupon.

Russia gives details of GKO scheme

By Jeremy Grant

Russia yesterday revealed details of how it plans to repay foreign investors in its frozen Treasury bill (GKO) market, marking the beginning of the end of an issue that has inflicted lasting damage to its credibility in international markets.

However, bankers say the deal is only a marginal improvement on the terms of a restructuring that Moscow tried to force on foreign investors shortly after it defaulted on some of its debt.

Last week, Moscow and a group of foreign banks representing its creditors agreed on a framework for restructuring the GKOs and longer-dated bonds known as OFZs.

Both agreed that foreign investors would receive rouble-denominated securities and that forward foreign exchange contracts – formerly linked with any GKO deal on Moscow's insistence – would be dealt with separately.

Bankers say dropping the link was not as much of a compromise as had earlier been suggested by Moscow because linking the GKOs with the forward contracts had never been part of Russia's original bargaining position.

Yesterday, the finance ministry said it proposed offering investors a 10 per cent up-front cash payment; 20 per cent of the value of the debt in zero-coupon bonds; and 70 per cent in four-year to five-year bonds, which would carry a coupon of 30 per cent.

The 30 per cent coupon would be paid in the first two years after issuance and the size of the coupon thereafter would depend on the budget. That yield is far lower than the 170 per cent offered on GKOs at one stage before Russia defaulted in mid-August.

However, a more pressing issue is the exchange rate at which foreign investors can convert their new rouble securities – plus the cash payment – into dollars.

"The key question is when you can convert into dollars and at what rate. There are a lot of things up in the air," said Tim Ash, economist at WestMerchant Bank.

Bonds affected by the deal are GKOs and OFZs maturing before the end of December 1999 – or about Rbs280bn worth ($17.9bn at current exchange rates). About a third is held by foreigners.

Bankers also want to know what convertibility restrictions apply to the new bonds and whether they can be traded.

Nevertheless, the deal offers bondholders the scope to recoup some of their losses over time, as they can use the zero-coupon bonds to pay taxes in Russia or buy shares in local companies.

A bigger hurdle will be how to handle the $6bn-$7bn in so-called non-deliverable forwards. Investors bought these – often from cash-strapped Russian banks – to protect their GKOs against a rouble depreciation.

However, the banks have failed to pay up since the debt moratorium was introduced. Once it expires on November 17, foreign banks are free to pursue their Russian counterparts through the courts.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4931	4.57	−0.04	+0.12	+0.19	−0.39
	08/08	8.750	127.6000	5.13	−0.07	+0.04	+0.13	−0.88
Austria	07/00	5.875	103.6100	3.59	−0.02	+0.06	−0.05	−1.09
	01/08	5.000	104.2400	4.43	−0.01	+0.07	−0.11	−1.25
Belgium	01/00	4.000	100.5500	3.51	+0.01	+0.03	+0.04	−0.91
	03/08	5.750	110.1700	4.40	−0.03	+0.07	−0.14	−1.34
Canada	12/00	5.000	100.3100	4.84	−0.02	+0.20	−0.01	+0.89
	06/08	6.000	108.0500	5.19	−0.04	+0.05	+0.13	−0.30
Denmark	11/00	9.000	109.4200	3.99	−0.02	−0.05	−0.39	−0.84
	11/07	7.000	116.7400	4.68	−0.03	+0.01	−0.19	−1.45
Finland	01/99	11.000	101.2312	3.04	−0.05	+0.02	−0.26	−1.36
	04/08	6.000	111.4730	4.46	−0.04	+0.02	−0.23	−1.33
France	07/00	4.000	100.8400	3.46	−0.02	+0.05	+0.05	−1.02
	10/05	7.750	122.8600	3.92	–	+0.04	−0.14	−1.43
	10/08	8.500	133.5400	4.28	−0.01	+0.05	−0.16	−1.36
	04/29	5.500	104.2200	5.22	-	+0.02	−0.07	−1.00
Germany	06/00	4.000	100.8000	3.46	−0.03	+0.06	+0.08	−0.85
	10/05	6.500	114.4100	4.08	−0.02	+0.03	−0.22	−1.29
	07/08	4.750	104.4100	4.18	−0.02	+0.05	−0.05	−1.43
	01/28	5.625	105.8900	5.23	+0.01	−0.03	+0.01	−0.98
Ireland	10/01	6.500	107.6700	3.70	−0.02	+0.03	−0.09	−1.83
	08/08	6.000	112.1700	4.44	−0.02	+0.03	−0.19	−1.66
Italy	04/01	4.500	101.8000	3.70	−0.02	+0.04	−0.14	−1.72
	07/03	4.500	102.3600	3.94	−0.01	+0.02	−0.19	−1.76
	05/08	5.000	104.1500	4.45	−0.02	−0.02	−0.26	−1.71
	11/27	6.500	115.4100	5.43	−0.01	+0.03	−0.13	−1.25
Japan	12/00	6.900	113.9100	0.23	−0.02	−0.09	−0.16	−0.25
	12/03	4.100	117.6600	0.58	−0.04	−0.07	−0.09	−0.68
	06/08	1.800	108.8100	0.84	−0.03	−0.02	+0.01	−0.88
	03/18	2.700	121.3800	1.43	−0.03	−0.05	+0.04	−1.02
Netherlands	05/00	9.000	107.8300	3.50	−0.02	+0.05	+0.03	−0.94
	07/08	5.250	107.4500	4.29	–	+0.08	−0.11	−1.31
New Zealand	02/01	8.000	105.4451	5.34	+0.05	+0.11	+0.09	−1.55
	07/09	7.000	110.9543	5.62	−0.06	+0.07	+0.16	−1.05
Norway	01/99	9.000	100.1200	7.85	−0.14	−0.01	−0.15	+3.35
	01/07	6.750	107.5600	5.57	−0.02	+0.04	−0.22	−0.23
Portugal	03/00	5.375	102.2900	3.59	–	+0.08	+0.04	−1.56
	06/08	5.375	106.5500	4.52	−0.03	+0.04	−0.12	−1.53
Spain	04/00	6.750	104.3600	3.50	−0.02	+0.05	+0.01	−1.41
	01/08	6.000	111.1000	4.50	−0.03	+0.03	−0.22	−1.52
Sweden	05/00	10.250	108.7870	3.93	−0.01	+0.01	−0.50	−1.23
	05/08	6.500	113.0550	4.68	−0.02	+0.05	−0.28	−1.73
Switzerland	06/00	4.500	104.6300	1.48	−0.02	+0.17	+0.28	−0.61
	01/08	4.250	113.3000	2.60	−0.05	−0.05	−0.15	−1.06
UK	11/01	7.000	104.9200	5.20	−0.07	+0.10	−0.09	−1.87
	12/03	6.500	107.1000	4.90	−0.07	+0.08	−0.08	−1.80
	10/08	9.000	131.1100	4.99	−0.07	+0.02	−0.18	−1.59
	12/28	6.000	120.9800	4.69	−0.08	−0.14	−0.27	−1.78
US	09/00	4.500	99.8711	4.57	−0.07	+0.21	+0.44	−1.18
	08/03	5.250	102.9408	4.55	−0.05	+0.17	+0.13	−1.37
	05/08	5.625	105.7628	4.86	−0.07	+0.11	+0.11	−1.04
	08/28	5.500	102.9884	5.30	−0.04	+0.07	+0.20	−0.89
ECU	07/00	4.000	100.7600	3.51	−0.02	+0.03	+0.02	−1.23
	04/08	5.250	107.2900	4.29	−0.03	+0.03	−0.16	−1.50

London closing. * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.13	+0.93	+0.32
Austria	4.40	+0.20	−0.41
Belgium	4.44	+0.24	−0.37
Canada	5.19	+0.99	+0.38
Denmark	4.65	+0.45	−0.16
Finland	4.53	+0.33	−0.28
France	4.28	+0.08	−0.53
Germany	4.20	-	−0.61
Ireland	4.44	+0.24	−0.37
Italy	4.54	+0.34	−0.27
Japan	0.85	−3.35	−3.96
Netherlands	4.26	+0.06	−0.55
New Zealand	5.63	+1.43	+0.82
Norway	5.58	+1.38	+0.77
Portugal	4.55	+0.35	−0.26
Spain	4.59	+0.39	−0.22
Sweden	4.69	+0.49	−0.12
Switzerland	2.69	−1.51	−2.12
UK	5.00	+0.80	+0.19
US	4.81	+0.61	-
ECU	4.35	+0.15	−0.46

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 10	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	97.8365	11.54	−0.18	+0.70	+7.04
Poland	07/04	7.125	BBB−	103.8103	6.29	−0.03	−0.03	+1.73
Russia	06/07	10.000	CCC−	23.0000	47.43	+1.68	−10.09	+42.68
LATIN AMERICA								
Argentina	09/27	9.750	BB	86.5000	11.35	+0.14	+0.07	+6.12
Brazil	05/27	10.125	BB−	72.7500	14.03	+0.11	−1.77	+8.80
Mexico	05/26	11.500	BB	106.4060	10.77	−0.04	−0.73	+5.56
ASIA								
China	07/06	7.750	BBB+	103.0030	7.11	+0.28	−1.48	+2.42
Philippines	10/16	8.750	BB+	85.7731	10.58	−0.18	−2.75	+5.40
Thailand	04/07	7.750	BBB−	99.6538	8.06	−0.12	−2.06	+4.81
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	103.4274	6.89	−0.18	−0.50	+2.30
South Africa	10/06	8.375	BB+	95.4235	10.60	−0.25	+1.12	+5.51
Turkey	05/07	10.000	B	92.0000	11.47	−0.30	−2.61	+6.72
BRADY BONDS								
Argentina	03/23	5.750	BB	89.7220	9.10	+0.11	−0.58	+3.96
Brazil	04/14	5.000	BB−	84.1250	12.90	+0.11	−0.59	+7.86
Mexico	12/19	6.250	BB	73.6250	8.81	−0.06	−0.57	+3.75
Venezuela	03/20	6.750	B+	84.8750	11.87	+0.02	+0.75	+5.99

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.92	108.97	+0.23	109.05	108.76	50,865	91,839

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Puts Nov	Puts Dec	Puts Jan
107	1.82	-	-	0.08	-	-
108	0.98	-	-	0.14	-	-
109	0.38	-	-	0.24	-	-
110	0.10	-	-	0.39	-	-

Est. vol. total, Calls 2,878 Puts 7,662. Previous day's open int., Calls 31,035 Puts 39,006.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		112.25	+0.26			0	4289
Mar		112.56	+0.27			0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.26	112.21	+0.11	112.43	112.12	333,276	664,288
Mar	112.52	112.52	+0.23	112.66	112.52	2,404	27,952

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11200	0.58	1.06	1.25	0.33	0.50	0.69
11250	0.32	0.78	0.98	0.57	0.72	0.92
11300	0.16	0.55	0.75	0.91	0.99	1.19

Est. vol. total, Calls 109 Puts 0. Previous day's open int., Calls 5386 Puts 4830

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.88	107.74	−0.06	107.90	107.73	94,853	271,096
Mar	107.60	107.51	-	107.60	107.55	614	13,901

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.61	110.54	+0.15	110.70	110.40	16002	50424
Mar		110.49	+0.15			0	10

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Jan	Puts Dec	Puts Jan
11050	0.54	0.80	0.50	0.81
11100	0.32	0.58	0.78	1.09
11150	0.18	0.40	1.14	1.41

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 718 Puts 2403

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113.95	114.00	+0.33	114.17	113.92	33,304	50,278
Mar	–	113.40	–	–	–	–	–

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.70	107.78	+0.26	107.70	107.70	112	1683
Mar		107.95	+0.26			0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.44	114.87	+0.58	115.05	114.30	34230	114835
Mar		114.97	+0.58			0	0

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11450	0.92	1.55	1.99	0.55	1.08	1.52
11500	0.66	1.29	1.73	0.79	1.32	1.76
11550	0.45	1.06	1.50	1.08	1.59	2.03

Est. vol. total, Calls 3467 Puts 1568. Previous day's open int., Calls 47775 Puts 25280

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	125-31	127-11	+0-12	127-18	126-25	365,083	645,338
Mar	126-25	127-00	+0-12	127-07	126-25	11,908	136,678
Jun	126-10	126-10	+0-07	126-10	126-10	147	-

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	138.34	138.90		139.00	138.86	1221	n/a
Mar	138.23	138.19		138.26	138.18	345	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	102.65	102.90	+0.40	102.65	102.65	35	331

US CORPORATE BONDS

Nov 9	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	105.7924	5.46	−0.04	−0.07	+0.93
NY Tel	08/25	7.00	A+	100.3308	6.97	−0.08	−0.02	+1.69
CWE	05/08	8.00	BBB	112.6757	6.21	−0.08	−0.08	+1.37
FINANCIALS								
GECC	05/07	8.75	AAA	119.4256	5.82	−0.06	+0.05	+0.98
Banc One	08/02	7.25	A	104.7332	5.81	−0.03	−0.16	+1.28
CNA Fin	01/18	6.95	A−	93.6234	7.58	−0.12	+0.23	+2.30
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0880	5.97	−0.42	+0.84	+1.55
Wal Mart	05/02	6.75	AA	104.7318	5.25	−0.04	+0.11	+0.72
Dayton Hud	06/21	9.70	BBB+	130.2420	7.01	−0.12	+0.04	+1.73
AGENCIES								
FHLMC	04/07	7.14	N/A	110.2307	5.59	−0.07	+0.19	+0.75
SLMA	03/00	7.50	N/A	102.9045	5.19	−0.07	+0.49	+0.54
FNMA	02/18	8.95	N/A	134.5872	5.91	−0.20	+0.19	+0.63
FFCB	06/08	8.95	N/A	120.7235	5.55	−0.05	+0.17	+0.71
HIGH YIELD								
Stone Cont	02/01	9.88	B	99.5000	0.00	–	–	–
AK Stl	12/01	9.13	BB−	104.7500	0.00	–	–	–
Pacalta	06/04	10.75	B−	86.2500	0.00	–	–	–

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	4.47
Prime rate	8	Two month	-	Three year	4.56
Broker loan rate	6¼	Three month	4.54	Five year	4.48
Fed.funds	4$\frac{11}{16}$	Six month	4.61	10-year	4.79
Fed.funds at intervention	4$\frac{11}{16}$	One year	4.51	30-year	5.24

INTERNATIONAL BONDS

Nov 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	109.6600	4.33	+0.13	−0.21	+0.08
Spain	01/07	5.750	AA	109.0000	4.41	+0.01	−0.19	+0.16
Philip Morris	03/04	5.375	A	103.9909	4.51	−0.02	−0.20	[illegible]
Finland FRN	09/02	3.531	AA	100.5880	3.15	–	−0.07	[illegible]
EURO FFR								
Austria	01/04	5.500	AAA	106.9700	3.98	−0.01	−0.08	+0.14
Abbey Nat	02/04	6.000	AA	108.9200	4.08	−0.03	−0.08	+0.24
Cred Foncier	02/04	9.125	A	122.1293	4.33	–	−0.09	+0.48
3CIF FRN	12/01	3.617	AA−	99.9007	3.50	−0.01	−0.05	−0.08
EURO LIRA								
EIB	02/07	7.000	AAA	117.7480	4.39	−0.06	−0.15	−0.05
Abbey Nat	02/02	6.800	AA	108.5100	3.96	−0.04	−0.14	+0.08
Walt Disney	06/00	8.625	A	106.9500	4.04	−0.03	−0.07	+0.28
EIB FRN	03/01	4.743	AAA	100.0610	3.51	−0.01	−0.14	−0.24
EURO £								
EIB	12/07	7.625	AAA	114.8456	5.50	−0.06	−0.41	+0.56
Dresdner Bk	12/07	7.750	AA−	106.1915	6.81	−0.07	−0.07	+1.87
British Gas	03/00	7.625	A+	101.7117	6.25	−0.03	−0.34	+0.89
Abbey Nat FRN	02/02	7.900	AA	99.9665	5.03	−0.04	−0.33	–
EURO $								
EIB	04/07	7.250	AAA	112.3800	5.38	−0.09	−0.02	+0.63
ABN Amro	06/07	7.125	AA−	104.6295	6.40	−0.07	+0.13	+1.65
Quebec	01/07	7.000	A+	107.8770	5.78	−0.07	+0.09	+1.03
Citicorp FRN	02/04	5.750	A+	96.5342	6.53	−0.07	+0.12	+1.97
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.0533	5.53	−0.07	+0.05	+0.15
Toronto	05/04	8.500	AA+	114.0890	5.47	−0.07	+0.04	+0.09
Bell Canada	07/99	10.625	A+	103.3713	5.25	−0.01	+0.20	+0.96
Deutsche B FRN	09/02	5.875	AA+	101.1734	5.53	−0.05	+0.20	+0.31
EURO YEN								
World Bank	03/02	5.250	AAA	116.4543	0.31	−0.04	−0.17	−0.18
Spain	03/02	5.750	AA	117.8961	0.38	−0.04	−0.09	−0.11
Cred Foncier	08/02	4.750	A	114.2688	0.85	−0.04	−0.09	+0.36
Italy FRN	07/99	0.461	AA	100.0819	0.17	–	+0.17	+0.01

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Nov 10	Day's change %	Mon Nov 9	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.79	0.17	121.67	2.60	8.34
2 5-15 years (20)	172.39	0.49	171.54	3.45	8.23
3 Over 15 years (4)	225.13	0.86	223.20	4.88	8.20
4 Irredeemables (4)	302.83	1.38	298.70	5.36	9.67
5 All stocks (45)	164.02	0.47	163.29	3.41	8.53
Index-linked					
6 Up to 5 years (2)	226.83	0.07	226.66	1.82	4.36
7 Over 5 years (9)	247.67	0.18	247.23	1.58	5.65
8 All stocks (11)	243.65	0.16	243.25	1.62	5.40

UK Indices

Yields	Low coupon yield Nov 10	Low Nov 9	Low Yr. ago	Medium coupon yield Nov 10	Medium Nov 9	Medium Yr. ago	High coupon yield Nov 10	High Nov 9	High Yr. ago
5 yrs	5.06	5.12	6.75	5.11	5.17	6.86	5.06	5.12	6.88
15 yrs	4.80	4.87	6.56	4.96	5.03	6.55	5.02	5.08	6.62
20 yrs	4.74	4.81	6.56	4.93	5.00	6.52	5.02	5.08	6.61
Irred.†	5.02	5.08	6.62						

Index-linked	Inflation 5% Nov 10	Inflation 5% Nov 9	Inflation 5% Yr. ago	Inflation 10% Nov 10	Inflation 10% Nov 9	Inflation 10% Yr. ago
Up to 5 yrs	2.26	2.28	3.23	1.58	1.59	2.55
Over 5 yrs	2.26	2.27	3.13	2.07	2.08	2.94

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4	Yr ago	High*	Low*
Govt. Secs. (UK)	111.45	110.85	110.50	110.93	110.94	99.25	112.59	93.31
Fixed Interest	150.17	149.28	148.87	149.12	149.20	132.38	151.77	115.32

 * for 1998. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 151.02 (18/08/98), low 50.33 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Dollar's advance is halted at the pass

MARKETS REPORT

By Alan Beattie

The dollar yesterday consolidated recent gains against the yen. But it failed to mount a convincing move above the psychologically important Y120 barrier.

At the close of London trading, it was at Y122.5, a little below the earlier highs it had touched before profit-taking set in.

The dollar has been helped by a growing belief that a degree of stability is returning to financial markets. A more optimistic prognosis from Alan Greenspan, chairman of the US Federal Reserve, has underpinned recent gains.

"Many indicators have shown that some normality has returned to the US," said Michael Lewis, senior economist at Deutsche Bank in London. "The Dow has returned to pre-Russian crash levels, credit spreads are normalising and the prospects for US growth are not as bad as had been feared."

He said that there was a good chance that the Federal Reserve would refrain from cutting interest rates at its meeting next week.

But he added that "the amount of yen that still has to be recycled" limited the potential for the dollar to appreciate much further against the yen. "There may not be enough momentum to push it forward - and after late gains yesterday the dollar has traded sideways for most of today," he said.

The dollar also held most of its gains against the D-Mark, closing at DM1.684 in London trading yesterday, little changed from Monday.

■ The market had another apparent change of heart regarding the future prospects for interest rate cuts in the UK yesterday.

After falling markedly at the end of last week, short sterling contracts expiring in 1999 settled up to nine basis points higher yesterday, albeit in a thin market.

Sterling itself was little changed on the day, closing at Dm2.799 against the D-Mark and $1.662 against the dollar.

Short sterling contracts have now regained the ground lost after the surprise 50 basis point cut by the Bank of England's monetary policy committee (MPC) last week.

One or two market participants have pointed to hedge fund activity as the reason for the volatility in short sterling prices in recent days.

Rumours have been circulating that liquidation of short sterling positions taken as part of a complex swaps trade caused the sharp drop in prices on Friday.

But other observers claimed that this was a now familiar attempt to ascribe all unexpected market developments to the powers of the shadowy funds. "Every time there is a sharp change in prices in any financial market the hedge funds get the blame," said one analyst.

Peter Ostler of GNI in London said that "the original move was mainly a reaction to price changes in the US markets. But more recently the view in the UK has changed and people have become more concerned about the UK economy."

Philip Shaw of investment fund Investec said that this was reflected in the behaviour of the equity markets. "They had over-egged the cake somewhat," he said. "Their falls on Monday reflected a correction to undue optimism about the economy."

The next stage of the game should unfold today as the Bank of England releases its quarterly inflation report.

It may show whether the half per cent cut was evidence of a sharply changed view of future growth and inflation in the UK, or merely an increased willingness by the Bank of England's MPC to change interest rates by 50 basis points at a time.

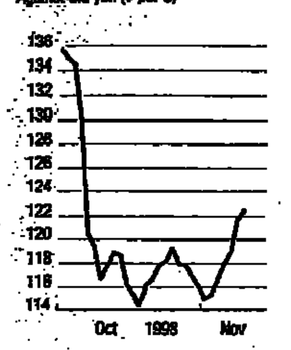
■ East Asian currencies largely reflected the weakness of the yen in Asian trading yesterday, with most losing some of the ground gained in recent bull runs against the dollar.

"There has been a puncturing of the euphoric belief that everything in Asia is all right," said Nick Douch of Barclays Capital in London.

"And Asia still has a peculiar tendency for contagion. The portfolio capital flows which have gone into the region recently are fleet of foot and can easily come out again," he added.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ POUND IN NEW YORK

Nov 10	—Latest—	— Prev. close —
£ spot	1.6580	1.6630
1 mth	1.6557	1.6610
3 mth	1.6521	1.6571
1 yr	1.6384	1.6435

■ OTHER CURRENCIES

Nov 10	£	$
Czech Rp	49.2787 - 49.3748	29.6520 - 29.6920
Hungary	360.589 - 361.049	216.960 - 217.120
Iran	4988.70 - 4995.70	3000.00 - 3000.00
Kuwait	0.5032 - 0.5040	0.3028 - 0.3031
Peru	5.1427 - 5.1500	3.0945 - 3.0970
Poland	5.7036 - 5.7237	3.4330 - 3.4420
Russia	26.8397 - 27.1884	16.1500 - 16.3500
U.A.E.	6.1038 - 6.1092	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6957	-0.0084	864 - 049	19.7621	19.6407	19.6367	3.6	19.5358	3.2	19.1602	2.6	103.8
Belgium	(BFr)	57.7684	+0.0029	178 - 190	57.9310	57.6160	57.5991	3.5	57.296	3.3	56.2426	2.6	103.6
Denmark	(DKr)	10.6427	-0.0024	353 - 500	10.6772	10.6158	10.6207	2.5	10.5784	2.4	10.4272	2.0	107.4
Finland	(FM)	8.5148	+0.0001	081 - 215	8.5400	8.4930	8.4902	3.5	8.4471	3.2	8.2869	2.7	82.8
France	(FFr)	9.3882	+0.0007	847 - 917	9.4159	9.3608	9.3608	3.5	9.3119	3.2	9.141	2.6	107.1
Germany	(DM)	2.7984	-0.0008	961 - 007	2.8094	2.7911	2.7911	3.6	2.7773	3.2	2.7258	2.6	105.3
Greece	(Dr)	472.854	+0.673	345 - 962	473.236	469.251	474.52	-4.7	477.597	-4.2	491.458	-4.0	81.9
Ireland	(I£)	1.1252	-0.0001	244 - 259	1.1279	1.1224	1.1221	3.3	1.1165	3.1	1.0957	2.6	95.6
Italy	(L)	2769.52	-0.94	823 - 081	2778.35	2761.40	2763.48	2.6	2750.72	2.7	2699.98	2.5	76.5
Luxembourg	(LFr)	57.7684	+0.0029	178 - 190	57.9310	57.6160	57.5991	3.5	57.296	3.3	56.2426	2.6	103.5
Netherlands	(Fl)	3.1559	-0.0011	545 - 573	3.1664	3.1475	3.146	3.8	3.1293	3.4	3.071	2.7	103.1
Norway	(NKr)	12.4397	+0.0552	318 - 476	12.4992	12.3504	12.4525	-1.2	12.4724	-1.1	12.4894	-0.4	93.2
Portugal	(Es)	287.047	-0.063	861 - 233	287.611	285.489	286.223	3.4	285.151	2.6	279.431	2.7	92.8
Spain	(Pta)	238.039	+0.115	884 - 194	238.850	237.330	237.407	3.2	236.274	3.0	231.919	2.6	77.5
Sweden	(SKr)	13.2214	+0.1046	091 - 337	13.2476	13.1212	13.1874	3.1	13.1276	2.8	12.9317	2.2	80.7
Switzerland	(SFr)	2.3093	-0.0048	077 - 108	2.3237	2.3058	2.2982	5.8	2.2792	5.2	2.2077	4.4	107.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.8
Ecu	-	1.4235	-0.0007	227 - 242	1.4289	1.4203	1.4199	3.1	1.413	2.9	1.3867	2.6	-
SDR†	-	1.192640	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6619	+0.0026	614 - 624	1.6630	1.6575	-	-	-	-	-	-	-
Brazil	(R$)	1.9800	+0.0059	792 - 807	1.9811	1.9718	-	-	-	-	-	-	-
Canada	(C$)	2.5672	+0.0217	656 - 686	2.5693	2.5485	2.5635	1.7	2.557	1.6	2.5341	1.3	75.8
Mexico	(New Peso)	16.6922	+0.0603	788 - 055	16.7361	16.5850	17.0505	-25.8	17.8088	-26.8	20.7642	-24.4	-
USA	($)	1.6624	+0.0029	619 - 629	1.6635	1.6577	1.6601	1.7	1.6565	1.4	1.6426	1.2	107.0
Pacific/Middle East/Africa													
Australia	(A$)	2.6652	+0.043	633 - 670	2.6709	2.6105	2.6606	2.1	2.6521	2.0	2.6267	1.4	79.6
Hong Kong	(HK$)	12.8666	+0.0206	623 - 708	12.8747	12.8294	12.8593	0.7	12.8659	0.0	13.0747	-1.6	-
India	(Rs)	70.3008	+0.1475	734 - 282	70.3290	70.0960	-	-	-	-	-	-	-
Indonesia	(Rupiah)	13392.35	-640	520 - 949	14492.20	13178.70	13903.05	-46.7	14825.55	-43.1	17740.23	-32.6	-
Israel	(Shk)	7.1271	-0.0477	040 - 501	7.1701	7.1034	-	-	-	-	-	-	-
Japan	(Y)	203.594	+2.303	450 - 739	204.780	201.460	202.409	7.0	200.074	6.9	191.529	5.9	124.2
Malaysia	(M$)	6.3171	-	171 - 171	6.3208	6.2998	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.1452	+0.0512	422 - 482	3.1500	3.0960	3.1387	2.5	3.1292	2.0	3.1161	0.9	91.2
Philippines	(Peso)	67.9923	+1.946	393 - 452	68.3465	67.6345	68.4643	-8.3	69.4076	-8.3	73.2893	-7.8	-
Saudi Arabia	(SR)	6.2349	+0.0111	328 - 369	6.2388	6.2174	6.2293	1.1	6.2243	0.7	6.2165	0.3	-
Singapore	(S$)	2.7538	+0.0072	513 - 563	2.7805	2.7239	2.7454	3.7	2.7304	3.4	2.6816	2.8	-
South Africa	(R)	9.3930	+0.1498	823 - 037	9.4058	9.2528	9.4968	-13.3	9.6615	-11.4	10.4146	-10.9	-
South Korea	(Won)	2188.55	+6.54	540 - 170	2194.26	2184.85	-	-	-	-	-	-	-
Taiwan	(T$)	54.4880	+0.2825	538 - 182	54.5399	54.2008	54.8243	-7.5	54.9546	-3.4	55.2661	-1.4	-
Thailand	(Bt)	61.5066	+0.4037	072 - 104	62.0380	60.1940	61.5883	-1.6	61.8199	-2.0	63.3224	-2.9	-

† Rates for Nov 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8477	-0.025	457 - 497	11.9027	11.8260	11.8289	1.9	11.7936	1.8	11.6767	1.4	103.4
Belgium	(BFr)	34.7500	-0.06	300 - 700	34.8800	34.6950	34.697	1.8	34.569	1.9	34.24	1.5	103.5
Denmark	(DKr)	6.4020	-0.0128	995 - 045	6.4309	6.3903	6.3978	0.8	6.3861	1.0	6.349	0.8	106.5
Finland	(FM)	5.1220	-0.009	195 - 245	5.1438	5.1135	5.1144	1.8	5.0995	1.6	5.045	1.5	82.0
France	(FFr)	5.6474	-0.0098	470 - 478	5.6705	5.6367	5.6389	1.8	5.6216	1.8	5.565	1.5	106.6
Germany	(DM)	1.6840	-0.0035	837 - 842	1.6918	1.6808	1.6814	1.9	1.6766	1.7	1.6595	1.5	104.7
Greece	(Dr)	284.320	-0.1	220 - 420	284.880	282.460	285.845	-6.4	288.32	-5.6	299.195	-5.2	62.2
Ireland	(I£)	1.4775	+0.0028	770 - 780	1.4800	1.4714	1.4794	-1.6	1.4838	-1.7	1.4992	-1.5	-
Italy	(L)	1665.98	-3.53	570 - 625	1673.40	1662.85	1664.69	0.9	1660.58	1.3	1643.73	1.3	76.1
Luxembourg	(LFr)	34.7500	-0.06	300 - 700	34.8800	34.6950	34.697	1.8	34.569	1.9	34.24	1.5	103.5
Netherlands	(Fl)	1.8984	-0.0041	981 - 987	1.9086	1.8950	1.8951	2.1	1.8892	1.9	1.8696	1.5	102.8
Norway	(NKr)	7.4830	+0.02	805 - 855	7.5100	7.4419	7.5012	-2.9	7.5295	-2.5	7.6035	-1.6	91.7
Portugal	(Es)	172.670	-0.345	610 - 730	173.340	171.950	172.417	1.8	172.142	1.2	170.115	1.5	93.3
Spain	(Pta)	143.190	-0.185	140 - 240	143.840	142.970	143.011	1.5	142.636	1.5	141.19	1.4	77.3
Sweden	(SKr)	7.9532	+0.0489	482 - 582	7.9794	7.8980	7.944	1.4	7.925	1.4	7.8727	1.0	80.9
Switzerland	(SFr)	1.3891	-0.0054	886 - 896	1.3999	1.3873	1.3843	4.1	1.3759	3.8	1.3439	3.3	107.4
UK	(£)	1.6624	+0.0029	619 - 629	1.6635	1.6577	1.6601	1.7	1.6565	1.4	1.6426	1.2	100.5
Ecu	-	1.1679	+0.0025	676 - 681	1.1700	1.1621	1.1692	-1.4	1.1724	-1.5	1.1846	-1.4	-
SDR†	-	0.71738	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-0.0002	997 - 997	0.9997	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.1910	+0.0014	909 - 911	1.1913	1.1901	-	-	-	-	-	-	-
Canada	(C$)	1.5443	+0.0104	438 - 448	1.5450	1.5343	1.5442	0.0	1.5436	0.2	1.5428	0.1	76.1
Mexico	(New Peso)	10.0410	+0.0185	360 - 460	10.0460	10.0250	10.271	-27.5	10.751	-28.3	12.641	-25.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.1
Pacific/Middle East/Africa													
Australia	(A$)	1.6032	+0.023	026 - 038	1.6064	1.5718	1.6024	0.6	1.5998	0.8	1.5891	0.9	80.6
Hong Kong	(HK$)	7.7398	-0.0012	395 - 400	7.7415	7.7370	7.7463	-1.0	7.7671	-1.4	7.9598	-2.8	-
India	(Rs)	42.2888	+0.0138	850 - 925	42.3000	42.2820	42.7188	-12.2	43.5388	-11.8	46.7838	-10.6	-
Indonesia	(Rupiah)	8050.00	-400	000 - 000	8725.00	7950.00	8375	-48.4	8950	-44.7	10800	-34.2	-
Israel	(Shk)	4.2872	-0.0364	746 - 998	4.3204	4.2737	-	-	-	-	-	-	-
Japan	(Y)	122.470	+1.17	420 - 520	123.380	121.240	121.925	5.3	120.785	5.5	116.585	4.8	126.4
Malaysia‡	(M$)	3.8000	-	300 - 300	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8920	+0.0275	907 - 932	1.8947	1.8639	1.8951	-2.0	1.9005	-1.8	1.9193	-1.4	-
Philippines	(Peso)	40.9000	+1.1	000 - 000	41.1000	40.7000	41.242	-10.0	41.9005	-9.5	44.617	-9.1	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7503	3.7525	-0.6	3.7575	-0.7	3.7845	-0.9	-
Singapore	(S$)	1.6565	+0.0014	555 - 575	1.6800	1.6390	1.6538	2.0	1.6482	2.0	1.6325	1.4	-
South Africa	(R)	5.6503	+0.0603	455 - 550	5.6555	5.5800	5.7208	-15.0	5.8325	-12.9	6.3403	-12.2	-
South Korea	(Won)	1316.50	+1.5	500 - 800	1322.00	1315.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.7755	+0.112	660 - 850	32.8300	32.7600	33.0255	-9.2	33.1755	-4.9	33.6455	-2.7	-
Thailand	(Bt)	37.0000	+0.1775	500 - 500	37.9000	36.8500	37.1	-3.2	37.32	-3.5	38.55	-4.2	-

† SDR rate per $ for Nov 9. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 9: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Nov 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3½	3½	3½	3½	6.00	2.75	-
France	3⅝	3⅝	3⅝	3⅝	3⅝	4.60	-	3.30
Germany	3⅝	3⅝	3⅝	3⅝	3½	4.50	2.50	3.30
Ireland	3⅞	3⅞	3¾	3⅝	3⅜	-	-	3.69
Italy	4⅜	4⅜	4	3⅞	3¾	6.50	5.00	5.12
Netherlands	3⅝	3¾	3⅝	3⅝	3⅝	-	2.75	3.30
Switzerland	1⅜	1⅜	1⅜	1⅜	1¼	-	1.00	-
US	5	5⅛	5⅛	5¼	5⅛	-	5.00	-
Japan	¼	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅜	5⅜	5¼	5⅛	-	-	-
US Dollar CDs	-	4.97	4.89	4.81	4.63	-	-	-
ECU Linked Ds	-	4⅛	4	3⅞	3⅞	-	-	-
SDR Linked Ds	-	3¾	3⅝	3⅝	3½	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3½ - 3⅜	3⅝ - 3½	3½ - 3⅜	3⅝ - 3½	3½ - 3⅜
Danish Krone	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅛ - 4	4 - 3⅞	4⅛ - 4
German Mark	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Portuguese Esc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Spanish Peseta	3¾ - 3⅝	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Sterling	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅝ - 6½	6⅜ - 6¼	6⅛ - 6
Swiss Franc	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼	1⅜ - 1¼
Canadian Dollar	5¼ - 5⅛	5⅛ - 5	5⅛ - 5	5⅛ - 5	5⅛ - 4⅞	5 - 4⅞
US Dollar	5⅛ - 4⅞	5⅛ - 5	5¼ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Italian Lira	4¼ - 4⅛	4⅛ - 4	4⅛ - 4	4 - 3⅞	3⅞ - 3¾	3⅞ - 3¾
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	2¼ - 2	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.410	96.395	+0.015	96.425	96.410	4,307	63,310
Mar	96.595	96.425	+0.015	96.615	96.590	1,125	44,741

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.415	96.415	+0.010	96.415	96.400	39823	499946
Mar	96.600	96.610	+0.020	96.615	96.590	30329	502563
Jun	96.625	96.640	+0.020	96.650	96.625	33994	358031
Sep	96.625	96.635	+0.020	96.645	96.620	18149	270831

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov			+0			0	0
Dec		96.290	-0.005			0	4000

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.300	96.310	+0.020	96.310	96.290	4392	187460
Mar	96.590	96.600	+0.020	96.600	96.580	3523	259984
Jun	96.620	96.630	+0.025	96.640	96.620	1030	77321
Sep	96.620	96.620	+0.020	96.630	96.620	959	45626

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.360	98.410	+0.060	98.410	98.330	9727	63495
Mar	98.370	98.420	+0.060	98.420	98.350	7924	51371
Jun	98.300	98.350	+0.060	98.350	98.300	2411	29147
Sep	98.200	98.260	+0.070	98.260	98.200	2775	19657

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.39	+0.02			0	n/a
Mar		99.50	+0.02			0	n/a
Jun		99.55	+0.01			0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.375	96.370	+0.010	96.375	96.365	220	9910
Mar	96.620	96.610	+0.015	96.620	96.610	75	6170
Jun		96.640	+0.020			0	2199
Sep		96.635	+0.015			0	1307

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96375	0.040			0.105		
96500	0.015	0.200	0.280	0.205	0.100	0.150
96625	0.010			0.325		

Est. vol. total, Calls 0 Puts 1. Previous day's open int., Calls 71988 Puts 80368

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.42	16.25	4.846	1.948	4794	5.463	21.53	496.9	412.1	22.89	3.997	1.731	4.444	2.878	352.4	2.464
Denmark	(DKr)	54.28	10	8.821	2.630	1.057	2602	2.965	11.69	269.7	223.7	12.42	2.170	0.940	2.412	1.562	191.3	1.337
France	(FFr)	61.53	11.34	10	2.982	1.198	2950	3.362	13.25	305.8	253.6	14.08	2.460	1.065	2.735	1.771	216.9	1.516
Germany	(DM)	20.64	3.802	3.354	1	0.402	989.3	1.127	4.444	102.5	85.03	4.723	0.825	0.357	0.917	0.594	72.73	0.508
Ireland	(I£)	51.34	9.459	8.344	2.488	1	2461	2.805	11.06	255.1	211.6	11.75	2.052	0.889	2.282	1.478	180.9	1.265
Italy	(L)	2.086	0.384	0.339	0.101	0.041	100	0.114	0.449	10.36	8.595	0.477	0.083	0.036	0.093	0.060	7.351	0.051
Netherlands	(Fl)	18.30	3.372	2.975	0.887	0.357	877.6	1	3.942	90.96	75.43	4.189	0.732	0.317	0.813	0.527	64.51	0.451
Norway	(NKr)	46.44	8.555	7.547	2.250	0.904	2226	2.537	10	230.7	191.4	10.63	1.856	0.804	2.064	1.336	163.7	1.144
Portugal	(Es)	20.13	3.708	3.271	0.975	0.392	964.8	1.099	4.334	100	82.93	4.606	0.804	0.348	0.894	0.579	70.93	0.496
Spain	(Pta)	24.27	4.471	3.944	1.176	0.473	1163	1.326	5.226	120.6	100	5.554	0.970	0.420	1.079	0.698	85.53	0.598
Sweden	(SKr)	43.69	8.050	7.101	2.117	0.851	2095	2.387	9.409	217.1	180.0	10	1.747	0.756	1.942	1.257	154.0	1.077
Switzerland	(SFr)	25.02	4.609	4.066	1.212	0.487	1199	1.367	5.387	124.3	103.1	5.725	1	0.433	1.112	0.720	88.17	0.616
UK	(£)	57.77	10.64	9.388	2.799	1.125	2770	3.156	12.44	287.0	238.0	13.22	2.309	1	2.567	1.662	203.6	1.423
Canada	(C$)	22.50	4.146	3.657	1.090	0.438	1079	1.229	4.846	111.8	92.72	5.150	0.900	0.390	1	0.648	79.30	0.554
USA	($)	34.75	6.402	5.647	1.684	0.677	1666	1.898	7.483	172.7	143.2	7.953	1.389	0.602	1.544	1	122.5	0.856
Japan	(Y)	28.37	5.227	4.611	1.375	0.553	1360	1.550	6.110	141.0	116.9	6.494	1.134	0.491	1.261	0.817	100	0.699
Ecu	-	40.58	7.477	6.596	1.967	0.790	1946	2.217	8.739	201.7	167.2	9.289	1.622	0.703	1.804	1.168	143.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5936	0.5947	+0.0011	0.5959	0.5921	53,585	107,980
Mar	0.5973	0.5980	+0.0018	0.5980	0.5973	1,062	1,737
Jun	0.5984	0.5984	-	0.5984	0.5984	1,000	1,169

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7188	0.7217	+0.0028	0.7233	0.7171	29,454	38,566
Mar	0.7274	0.7285	+0.0031	0.7294	0.7274	57	496
Jun	-	0.7345	+0.0033	0.7350	-	14	23

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8258	0.8188	-0.0075	0.8273	0.8141	39,075	85,301
Mar	0.8369	0.8300	-0.0078	0.8380	0.8297	148	4,680
Jun	-	0.8480	-	-	-	1	3,661

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6600	1.6590	-0.0002	1.6610	1.6550	6,960	51,014
Mar	1.6510	1.6530	-0.0008	1.6550	1.6510	32	1,537
Jun	-	1.6488	-	1.6500	1.6480	4	1,202

UK INTEREST RATES

LONDON MONEY RATES

Nov 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 6	6⅞ - 6⅝	6¾ - 6⅝	6⅝ - 6½	6⅜ - 6¼	6⅛ - 6
Sterling CDs	-	-	6¾ - 6⅝	6⅝ - 6½	6⅜ - 6¼	6⅛ - 6
Treasury Bills	-	-	6⅝ - 6½	6⅜ - 6¼	-	-
Bank Bills	-	-	6¾ - 6⅝	6⅝ - 6½	6½ - 6⅜	-
Local authority deps.	6⅞ - 6½	6⅞ - 6⅝	6⅞ - 6⅝	6⅝ - 6½	6⅜ - 6¼	6⅛ - 6
Discount Market deps	6½ - 6¼	6½ - 6¼	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Nov 5, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Nov 6 6.3188pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 30, 1998. Agreed rate for period Nov 25, 1998 to Dec 25, 1998, Scheme III 8.47pc. Reference rate for period Oct 1, 1998 to Oct 30, 1998, Schemes IV & V 7.227pc. Finance House Base Rate 7½pc for Nov 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.340	93.355	+0.035	93.360	93.340	15247	199917
Mar	93.830	93.860	+0.060	93.870	93.830	15065	167599
Jun	94.130	94.180	+0.090	94.200	94.130	20430	135332
Sep	94.260	94.310	+0.090	94.330	94.260	12262	143915
Dec	94.230	94.270	+0.090	94.290	94.230	10175	139426

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
93250	0.160	0.670	1.000	0.055	0.060	0.070
93375	0.090			0.110		
93500	0.040	0.475	0.790	0.185	0.115	0.110
93625	0.020			0.280		
93750	0.010	0.315	0.605	0.405	0.205	0.175
93875	0.005			0.525		

Est. vol. total, Calls 5432 Puts 4026. Previous day's open int., Calls 539259 Puts 573771

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Exeter Trust Limited	8.25	Smith & Williamson	6.75
Allied Irish Bank (GB)	6.75	Financial & Gen Bank	8.00	Sun Bank	7.25
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Heritable & Gen Inv Bk	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	7.50	C. Hoare & Co.	7.25	Whiteaway Laidlaw	6.75
Bank of India	6.75	●Hambros Bank	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	Hongkong & Shanghai	6.75		
Barclays Bank	6.75	Investec Bank (UK) Ltd	6.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Julian Hodge Bank	7.25		
●Brown Shipley & Co Ltd	6.75	●Leopold Joseph & Sons	6.75		
Citibank NA	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Midland Bank	6.75		
The Co-operative Bank	6.75	NatWestminster	6.75		
Coutts & Co	6.75	●Rea Brothers	6.75		
Cyprus Popular Bank	7.25	Royal Bk of Scotland	7.25		
Duncan Lawrie	6.75	Scottish Widows Bank	6.75		
		●Singer & Friedlander	6.75		

EMS EUROPEAN CURRENCY UNIT RATES

Nov 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	330.632	+1.2	-7.39	6.89	49
Denmark	7.54257	7.44400	+0.0004	-1.31	0.40	9
Ireland	0.796244	0.787159	+0.000012	-1.14	0.23	8
Italy	1957.61	1936.97	+0.11	-1.05	0.15	8
Spain	168.220	166.502	+0.001	-1.02	0.11	7
France	6.63186	6.56581	+0.00074	-1.00	0.09	8
Austria	13.9119	13.7767	+0.0014	-0.97	0.06	7
Germany	1.97738	1.95818	+0.00021	-0.97	0.06	9
Belgium	40.7844	40.3933	+0.0046	-0.96	0.05	7
Portugal	202.692	200.769	-0.01	-0.95	0.04	6
Finland	6.01125	5.95578	+0.0016	-0.92	0.01	6
Netherlands	2.22799	2.20774	-0.00002	-0.91	0.00	7
NON ERM MEMBERS						
UK	0.653644	0.700240	-0.000488	7.13	-7.50	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.650	1.33	2.16	2.78	0.24	1.27	2.13
1.660	0.66	1.66	2.37	0.57	1.72	2.57
1.670	0.30	1.22	1.93	1.15	2.25	3.09

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.590	0.39	0.82	1.15	0.14	0.50	0.75
0.595	0.14	0.56	0.88	0.40	0.74	0.99
0.600	0.06	0.38	0.67	0.76	1.05	1.28

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.80	94.82	+0.03	94.84	94.79	59,959	513,968
Mar	95.19	95.26	+0.06	95.27	95.18	111,094	527,722
Jun	95.18	95.27	+0.09	95.29	95.09	178,816	436,210

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.67	95.73	+0.04	95.74	95.67	125	1,702
Mar	96.05	96.08	+0.07	96.08	96.05	42	345
Jun	-	96.09	+0.03	-	-	2	29

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
96375	0.055	0.080			0.015	0.040		
96500	0.005	0.050	0.170	0.205	0.090	0.115	0.060	0.085
96625	0	0.015			0.210	0.225		
96750	0	0.010	0.050	0.090	0.335	0.345	0.190	0.230

Est. vol. total, Calls 60477 Puts 5457. Previous day's open int., Calls 745577 Puts 451288

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98500	0.070	0.150	0.205	0.160	0.230	0.355
98625	0.030			0.245		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13247 Puts 4437

COMMODITIES & AGRICULTURE

India bans the export of potatoes

By Kunal Bose in Calcutta and Agencies

The Indian federal government has banned the export of potatoes following a sharp rise in prices. In the past three weeks, the cost of a kilogram has increased by Rs8 to Rs18 and is expected to reach Rs20 ($0.47) soon.

"The government should have allowed the import of potatoes instead," said an official of the Bharat Chamber of Commerce. "Elections to the state assemblies in Delhi, Rajasthan, Madhya Pradesh and Mizoram are to be held later this month and the potato export ban is a knee-jerk reaction of a government under pressure."

The government has taken notice of criticism over rising food prices and announced measures last Saturday to contain them, including targeting hoarders and black marketeers who are driving up prices.

India is the world's fifth largest producer of potatoes, but exports constitute only about 1.5 per cent of the country's crop.

"Whether India exports some 25,000 tonnes of potatoes a year or not will not make any impact on domestic prices," said the BCC official. "The rise in prices has largely been caused by a setback in the current season's early crop in the Indo-Gangetic region, which is India's potato bowl, and distribution bottlenecks."

Unseasonal rain damaged nearly 60 per cent of the crop in Uttar Pradesh, the country's largest potato growing state. In some parts of Punjab, almost 80 per cent of the crop was lost.

The Potato and Onion Merchants Association said: "Large-scale resowing has started in Uttar Pradesh, Punjab and Haryana and it will only be in the new year that the supply of potatoes will improve."

India harvested 18.3m tonnes of potatoes in 1997-98, but estimates for this year's crop are still not available. Trade officials say onions and potatoes are the two staple vegetables in India and if the price of one goes up, the other will also become more expensive.

Onion prices have risen by Rs10 a kg to Rs60 in the past three weeks. Last year, they cost about Rs6-Rs7 a kg.

India has about 1.3m hectares under potato cultivation and its productivity of 17 tonnes a hectare is higher than the world average of 15 tonnes a hectare.

In the Indo-Gangetic region, which accounts for 78 per cent of the area under potatoes, it is nearly 20 tonnes a hectare.

Gujarat and Tamil Nadu have equally high rates of productivity. However, productivity in the north-eastern Indian states is only seven tonnes a hectare. It is as low as five tonnes a hectare in the western Indian state of Maharashtra. The large gaps in productivity between the regions has to be bridged.

A breakthrough in productivity in the under-performing regions will allow India to export large quantities of potatoes in a normal year.

"The farmers will, however, reap the benefits of higher production provided at least 60 per cent of potato output can be kept in cold storage against 45 per cent now and the government accords priority to the movement of potatoes by the railways," said the BCC official.

The government plans to set up a national forecasting centre for agricultural products so that farmers will be better prepared.

Greek gold deposit to be developed

By Kerin Hope in Athens

Thracian Gold Mines, an Athens-based exploration company, plans to develop an epithermal gold deposit discovered in north-eastern Greece. The deposit at Lofos Perama, east of Kavalla, contains at least 11.2m metric tonnes of ore with an average gold content of 3.5 grams a tonne, the company said.

TGM has acquired a 450 square kilometre area from local farmers at Lofos Perama. It said initial drilling showed the gold-bearing ore was close to the surface and that about 90 per cent of the gold could be extracted. The deposit is projected to yield about 1.2m ounces of gold.

Silver & Baryte, Greece's biggest mining group, set up TGM as one of several joint ventures with international gold mining companies to explore for gold in Greece, Bulgaria and Romania.

A leading producer of bauxite and perlite in Greece, S&B wants to diversify its mining activities. It set up TGM in partnership with Australia's Normandy Mines and Inmet Mining Corporation of Canada.

The deposit at Lofos Perama is the first exploitable discovery made by TGM and would be the first epithermal gold produced in Greece.

Gold was mined in northern Greece in antiquity and there is increased interest in exploration in the region. TVX Gold of Canada is committed to a $600m investment to develop two sites on a concession acquired from a bankrupt Greek state-owned mining operation on the Halkidiki peninsula.

TVX Hellas, its Greek subsidiary, has spent more than $150m on refurbishing and environmental protection at two existing lead and zinc mines at Olympiada and Stratones. Up to 210,000 ounces of gold a year would be extracted from refractory ore mined at Olympiada, at a cost of just over $100 an ounce for the first five years, the company said.

The project has been delayed for almost three years because of protests by local residents. A decision is due to be taken by Costas Laliotis, Greece's environment minister, by the end of this year. Production of gold would start in 2001.

TVX Hellas also plans to spend $240m developing a gold and copper deposit at Skouries.

Oil up on renewed tension over Iraq

MARKETS REPORT

By Paul Solman and Kenneth Gooding

World oil prices recovered to just above $12 a barrel in London yesterday, after Monday's steep fall. Traders said prices rose on renewed signs of tension in the Middle East after William Cohen, US Defense Secretary, said time was running out for Iraq to comply with UN arms inspections.

In late trading on the International Petroleum Exchange, the benchmark December contract for Brent blend was $12.06, against Monday's close of $11.90.

Robusta coffee futures jumped on the London International Financial Futures and Options Exchange. At the close, the November contract was $159 higher at $2,075 a tonne.

London Metal Exchange metals prices slipped as profit-taking from the recent rally continued and caution about world economic growth prospects took hold. "The strength of the US dollar has also scared off consumer buying interest for the moment," said Jim Lennon, at Macquarie Equities.

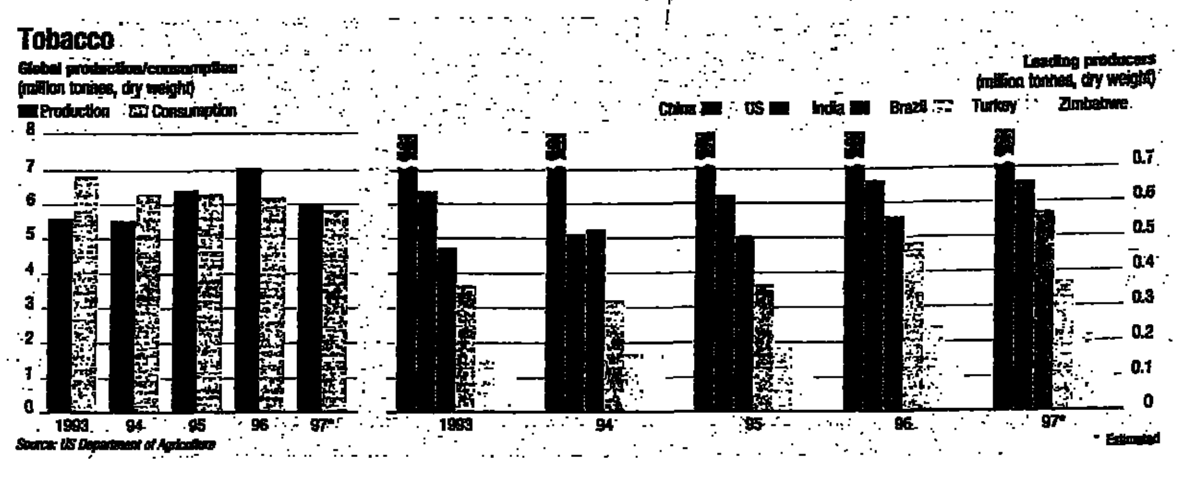
Copper for three-month delivery closed down $13 a tonne at $1,600. One analyst warned that if the dollar continued to pick up against the yen, copper might once again fall to the 11½-year low of $1,575 seen recently.

However, Sergio Jimenez, Chile's mining minister, said at the Americas Mining Ministries Conference in Buenos Aires that the state-owned Codelco group was forecasting prices averaging $1,653 a tonne next year and $2,204 by 2000. He said Codelco, the world's biggest copper producer with a 14 per cent market share, had sold 90 per cent of next year's output, leaving 150,000 tonnes to be sold on the spot market.

Tobacco growers reduce plantings

Falling prices compounded by over-supply and economic slowdown have taken their toll

By Paul Solman



Source: US Department of Agriculture

Tobacco growers are reducing the amount of the crop they plant as profitability is hit by over-supply and falling prices.

Growers in Zimbabwe, Africa's biggest tobacco producer and one of the world's top three exporters, have cut plantings by 8 per cent this year, while other big exporters such as Brazil and Malawi have also planted less of the crop.

The Asia crisis and concerns that other parts of the world will face economic difficulties in coming months have taken their toll on the industry, said Richard Tate, a Zimbabwe tobacco farmer and president of the International Tobacco Growers Association (ITGA).

"The Asian crisis has led to cancelled orders from manufacturers, and there's a question of where economic problems will hit next," said Mr Tate, who is also president of the Zimbabwe Tobacco Association. "Production is higher than consumption this year, and manufacturers are holding high stocks. That has hit prices for growers this year."

World tobacco production next year is expected to reach 6.3m tonnes, 200,000 tonnes above consumption, according to the US Department of Agriculture. Tobacco supplies have outstripped consumption since 1995, it said.

Flue-cured (or Virginia) tobacco, which accounts for 41 per cent of production, will be close to balance between supply and demand this year. Burley, which accounts for 19 per cent, will be in surplus.

For growers, tobacco prices in Africa have fallen by up to 40 per cent this year. In Zimbabwe, Africa's largest exporter, prices are down 33 per cent, said ITGA. In Zambia, they are down 36 per cent and in Malawi they are 19 per cent lower.

In Tanzania, where prices are down 15 per cent from last year, the government has removed the tobacco export tax in an effort to help local farmers.

Growers are also noticing knock-on effects from litigation over smoking-related diseases, as well as campaigns by organisations such as the World Health Organisation, the European Commission and the World Bank to control tobacco and discourage smoking.

"The fact that the financiers of the tobacco industry are being forced to put money aside for litigation, particularly in the US, has also affected the prices that they're willing to pay," said Mr Tate.

Cigarette companies such as Philip Morris, RJR Nabisco and British American Tobacco face multi-billion dollar litigation threats in the US. The European Commission recently announced a ban on tobacco advertising, which is being challenged in some countries.

As a result, ITGA and Unitab, the European tobacco growers' association, have announced an alliance to lobby for growers. ITGA points out that tobacco exports are vital to the livelihoods of many small-scale farmers in countries such as Brazil, Zimbabwe and India.

Brazil's tobacco is grown mainly by small-scale farmers and the country was the world's largest tobacco exporter last year, with sales of 279,500 tonnes overseas.

The second largest was the US, growing 225,000 tonnes, followed by Zimbabwe with 177,665 tonnes.

Although China is by far the biggest tobacco grower – producing 2.3m tonnes last year, according to USDA – most of its crop is consumed domestically.

ITGA is also encouraging tobacco farmers to return to their core business rather than diversify into other crops.

Despite the pressures on the industry, Mr Tate believes the outlook for tobacco growers remains positive.

"Tobacco farmers will take a beating in the coming months but they will adapt," he said. "Tobacco remains a good cash crop for growers compared with other crops. Smokers will still be here in 10 years' time."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1293.5-4.5	1315-6
Previous	1286.5-87.5	1307-08
High/low		1319.5/1312
AM Official	1295.5-96.0	1315-16
Kerb close		1311-2
Open int.	343,916	
Total daily turnover	35,019	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1087-92	1117-20
Previous	1083-88	1112-15
High/low		1125/1120
AM Official	1087-92	1315-16
Kerb close		1118-20
Open int.	7,183	
Total daily turnover	310	

■ LEAD ($ per tonne)

Close	487-8	497-8
Previous	495-6	504-5
High/low		500/496.5
AM Official	486-6.5	496.5-97.0
Kerb close		498-9
Open int.	40,928	
Total daily turnover	6,563	

■ NICKEL ($ per tonne)

Close	4090-100	4160-65
Previous	4125-35	4195-200
High/low		4200/4160
AM Official	4105-15	4175-80
Kerb close		4175-80
Open int.	64,815	
Total daily turnover	10,029	

■ TIN ($ per tonne)

Close	5465-75	5410-15
Previous	5580-90	5510-15
High/low		5520/5415
AM Official	5475-80	5435-40
Kerb close		5430-35
Open int.	18,123	
Total daily turnover	9,652	

■ ZINC, special high grade ($ per tonne)

Close	949.5-50.5	968-9
Previous	954.5-5.5	973-4
High/low		973/965
AM Official	947-48	967-67.5
Kerb close		967-8
Open int.	87,584	
Total daily turnover	13,746	

■ COPPER, grade A ($ per tonne)

Close	1571.5-2.5	1599-600
Previous	1594-95	1621-22
High/low		1617/1597
AM Official	1576-77	1605-06
Kerb close		1599-600
Open int.	167,455	
Total daily turnover	26,691	

■ LME AM Official £/$ rate: 1.6608
LME Closing £/$ rate: 1.6620

Spot 1.6585 3 mths: 1.6530 6 mths: 1.6469 9 mths: 1.6424

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	71.10	-1.00	71.85	71.00	505	1,032
Dec	71.40	-1.05	72.45	71.30	5,496	31,320
Jan	71.75	-0.95	72.30	71.85	115	2,400
Feb	72.10	-0.95	72.50	71.90	182	1,289
Mar	72.40	-1.00	73.20	72.40	601	9,404
Apr	72.70	-1.00	-	-	4	1,234
Total					7,033	63,988

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	292.50-293.00		
Opening	291.55-292.35		
Morning fix	291.75	175.700	406.262
Afternoon fix	292.25	175.811	405.925
Day's High	292.70-293.00		
Day's Low	291.70-292.00		
Previous close	292.20-292.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.65 6 months 3.86
2 months ....4.39 12 months 3.45
3 months 4.28

Silver Fix	p/troy oz.	US cts equiv.
Spot	500.00	301.30

Silver Lending Rates
1 month ....4.10 6 months 2.45
2 months ....3.50 12 months 2.25
3 months 3.26

Gold Coins	$ price	£ equiv.
Krugerrand	298-300	178-180
New Sovereign	69-73	41-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	294.2	+0.8	294.9	292.6	11,349	71,939
Feb	296.4	+0.8	297.3	294.9	100	24,190
Apr	298.3	+0.8	299.0	297.2	90	17,042
Jun	299.9	+0.8	300.7	298.5	105	14,576
Aug	301.5	+0.8	300.9	300.7	497	5,503
Oct	303.1	+0.8	-	-	-	2,228
Total					14,215	176,544

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	337.5	-0.8	339.5	337.1	1,486	14,636
Apr	338.8	-0.5	341.0	338.5	67	486
Jul	339.8	-0.5	341.5	341.5	21	141
Oct	340.9	-0.5	343.5	343.5	1	992
Total					1,574	16,255

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	271.20	-	272.50	271.20	171	1,645
Mar	271.65	+0.95	-	-	70	1,046
Jun	269.65	+0.95	-	-	2	5
Total					241	2,821

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	499.3	-4.2	504.5	497.5	5,105	41,585
Jan	501.5	-4.2	-	-	9	88
Mar	504.4	-4.2	510.5	503.0	588	17,797
May	506.7	-4.4	510.0	507.0	5	4,576
Jul	509.3	-4.2	510.5	510.5	41	2,903
Sep	510.8	-4.0	-	-	256	1,387
Total					5,708	76,373

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	13.56	+0.18	13.64	13.23	58,096	108.1k
Jan	13.82	+0.20	13.87	13.50	31,242	81,386
Feb	14.05	+0.20	14.05	13.77	8,891	40,317
Mar	14.25	+0.19	14.25	13.95	1,584	22,750
Apr	14.39	+0.13	14.40	14.26	431	15,037
May	14.50	+0.07	14.50	14.49	1,211	14,445
Total					115,158	485,292

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Dec	12.06	+0.16	12.20	11.87	18,948	41,581
Jan	12.40	+0.14	12.53	12.22	17,786	72,891
Feb	12.67	+0.12	12.75	12.52	4,060	26,664
Mar	12.85	+0.07	12.99	12.77	1,940	17,768
Apr	13.04	+0.08	13.05	13.04	507	12,934
May	13.22	+0.09	13.32	13.22	25	7,962
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	37.75	+0.30	38.00	37.10	18,137	52,979
Jan	39.10	+0.29	39.15	38.45	8,630	38,493
Feb	40.00	+0.24	40.05	39.55	2,507	27,089
Mar	40.50	+0.34	40.50	39.95	794	17,634
Apr	40.40	+0.14	40.60	40.05	146	9,846
May	40.85	+0.19	40.75	40.65	201	8,030
Total					32,695	189,114

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	107.00	-1.25	107.50	106.00	13,025	21,220
Dec	110.75	-2.25	111.75	109.75	17,369	53,034
Jan	114.75	-2.00	115.50	113.75	3,253	26,885
Feb	117.75	-1.50	117.75	116.50	2,606	16,399
Mar	119.75	-1.50	119.75	118.75	965	12,321
Apr	121.50	-1.50	121.75	120.75	410	6,430
Total					39,000	176,417

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Dec	15.080	+0.030	15.110	15.080	205	3,370
Jan	18.100	+0.020	18.110	18.050	30	4,140
Total					515	25,190

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.460	+0.016	2.485	2.401	51,058	50,402
Jan	2.585	+0.016	2.610	2.540	15,541	36,217
Feb	2.500	+0.020	2.510	2.480	7,935	23,202
Mar	2.375	+0.015	2.385	2.359	3,820	22,052
Apr	2.250	+0.015	2.260	2.240	1,407	13,455
May	2.190	+0.010	2.215	2.180	842	10,869
Total					82,479	244,984

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	41.10	+0.30	41.25	40.60	18,998	31,260
Jan	41.85	+0.34	41.90	41.30	7,059	18,040
Feb	42.50	+0.19	42.50	42.35	1,701	5,384
Mar	43.40	+0.15	43.40	43.30	225	4,955
Apr	46.35	+0.05	46.50	46.25	193	7,277
May	47.20	+0.25	47.20	46.95	619	5,767
Total					30,270	82,948

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.15	+0.05	-	-	-	53
Jan	80.15	+0.05	80.25	80.10	260	2,704
Mar	82.15	+0.15	82.25	82.10	242	3,182
May	84.15	+0.05	84.25	84.10	78	2,308
Jul	86.15	+0.05	-	-	-	217
Total					659	9,195

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	293.00	-	295.00	291.00	10,174	62,201
Mar	308.50	-	311.00	306.50	4,548	44,285
May	317.75	+0.25	319.00	315.75	394	7,018
Jul	326.75	+0.75	328.00	324.50	439	17,301
Sep	335.00	+1.00	335.50	333.00	11	774
Dec	346.00	+1.00	347.00	345.00	7	831
Total					15,586	132,410

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	222.25	+5.25	222.75	214.25	18,204	147,409
Mar	233.25	+5.25	234.50	226.00	9,757	99,938
May	240.00	+4.75	241.00	233.25	939	35,900
Jul	245.50	+4.75	246.00	238.25	1,866	43,404
Sep	250.75	+3.75	251.50	245.00	277	6,918
Dec	257.50	+3.75	258.00	252.00	616	19,548
Total					38,375	351,280

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	78.25	-	-	-	-	-
Jan	79.85	-0.15	80.00	79.75	33	873
Mar	82.00	-	-	-	-	151
May	83.00	-	-	-	-	33
Sep	81.75	-	-	-	-	-
Total					33	1067

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	573.50	+6.25	575.50	566.25	4,992	12,290
Jan	580.50	+7.00	583.00	571.25	23,723	68,363
Mar	588.75	+6.00	592.00	581.50	3,734	26,770
May	597.00	+6.75	599.00	588.50	1,017	12,341
Jul	604.50	+6.00	606.50	600.00	1,143	17,050
Aug	604.50	+5.50	604.00	602.00	40	1,101
Total					34,916	142,592

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.77	-0.22	25.07	24.71	6,114	41,804
Jan	24.79	-0.24	25.05	24.75	1,538	30,324
Mar	24.80	-0.22	25.05	24.76	2,259	19,763
May	24.81	-0.21	24.99	24.78	368	9,947
Jul	24.83	-0.19	25.03	24.83	229	12,345
Aug	24.80	-0.20	-	-	13	1,072
Total					10,802	110,232

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	146.6	+4.1	146.8	144.5	7,856	61,623
Jan	151.1	+4.2	151.4	146.9	1,849	23,639
Mar	155.4	+4.5	156.0	151.5	1,139	17,806
May	159.4	+4.9	160.0	155.0	362	9,785
Jul	162.5	+4.4	162.7	159.0	56	13,511
Aug	164.0	+5.0	164.5	160.5	151	2,599
Total					11,494	134,915

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	195.0	+10.0	-	-	-	-
Apr	291.0	+2.0	291.5	282.0	157	2,169
May	301.0	+2.0	-	-	-	-
Jun	311.0	+2.0	-	-	-	-
Nov	85.0	-	-	-	-	-
Total					157	2,169

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	985	-5	985	980	15	357
Dec	1005	-	1005	1005	4	239
Jan	1010	-	1010	1010	1	559
Apr	1030	-5	-	-	-	555
Jul	910	-5	-	-	-	276
Total					20	2,287

	Close	Prev
BFI	980	959

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	429.25	+1.00	430.25	430.25	3	374
Mar	454.50	+1.25	453.00	452.75	6	214
Total					12	623

FUTURES DATA
All futures data supplied by CMS.

Tea from the Tea Brokers' Association
Mombasa There was good general demand. Apart from a few selected brighter teas, BP1s of all other categories were generally lower. Brighter liquoring and coloury mediums PF1s were discounted by 5-20 cents. Lighter sorts, lower mediums and plainer sorts were firm to dearer, particularly cleaner sorts. Selected lines of brighter PDusts were dearer. Coloury mediums were irregular but lighter sorts were up to 10 cents dearer. Lower mediums were firm. A few selected lines of brighter Dust1s were dearer. Plainer sorts were firm. Brighter and well-sorted secondary fannings were dearer. Dusts were firm.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	982	+7	985	974	2,667	43,480
Mar	1015	+10	1019	1007	2,080	37,635
May	1035	+10	1038	1027	387	16,713
Jul	1052	+10	1051	1045	42	10,195
Sep	1070	+10	1074	1062	1,302	27,388
Dec	1091	+9	1094	1083	39	11,154
Total					6,732	158,644

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1475	+16	1479	1459	3,630	19,623
Mar	1518	+18	1521	1504	3,411	35,427
May	1545	+17	1547	1533	307	8,632
Jul	1573	+17	1564	1564	210	2,503
Sep	1599	+17	1598	1591	258	3,149
Dec	1629	+17	1610	1610	45	5,312
Total					7,605	78,201

■ COCOA (ICCO) (SDR's/tonne)

Nov 9	Price	Prev. day
Daily	1127.53	1134.88

■ COFFEE LIFFE (5 tonnes; $/tonne)

Nov	2070	+154	2080	1917	938	6,145
Jan	1703	+7	1712	1680	3,648	24,889
Mar	1650	-3	1660	1632	1,703	7,076
May	1627	-4	1635	1616	178	3,305
Jul	1612	-4	1622	1618	65	991
Sep	1597	-4	-	-	-	303
Total					6,532	42,949

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	116.85	-2.80	119.95	116.00	4,334	11,651
Mar	112.90	-0.75	113.75	111.60	2,988	11,688
May	112.75	-0.65	112.75	111.50	399	5,007
Jul	113.65	-0.75	113.50	113.00	153	2,124
Sep	114.85	-0.60	114.25	114.00	17	1,438
Dec	115.75	-0.75	116.00	116.00	36	651
Total					7,927	32,788

■ COFFEE (ICO) (US cents/pound)

Nov 9		Prev. day
Comp. daily	99.47	100.93
15 day average	97.48	97.20

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	235.4	+3.5	235.4	232.2	5,869	8,283
Mar	235.7	+3.8	236.0	231.9	4,461	16,502
May	236.4	+4.0	236.2	232.7	970	3,343
Aug	236.4	+3.7	236.2	234.7	126	3,215
Oct	231.3	+4.1	231.1	228.3	382	2,710
Dec	233.9	+2.8	232.5	232.5	10	194
Total					11,811	34,522

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	8.05	+0.17	8.07	7.93	6,959	83,533
May	8.10	+0.14	8.12	8.04	664	18,008
Jul	8.12	+0.14	8.13	8.07	318	15,206
Oct	8.28	+0.12	8.30	8.22	159	10,900
Mar	8.51	+0.10	8.53	8.47	512	7,491
May	8.60	+0.12	8.59	8.55	-	638
Total					7,912	136,277

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	69.15	-0.30	69.30	68.25	3,705	31,613
Mar	68.42	-0.14	68.45	67.55	6,942	26,026
May	68.79	-0.24	68.95	68.05	1,468	14,458
Jul	69.20	-0.05	69.40	68.60	923	10,385
Oct	69.05	-0.25	68.90	68.90	9	902
Total					20,991	94,180

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	119.55	-1.55	122.25	119.50	1,451	13,124
Mar	121.50	-1.60	123.90	121.90	153	5,786
May	123.25	-1.80	125.50	123.25	55	1,390
Jul	124.75	-1.70	126.00	125.00	2	674
Sep	125.25	-1.20	126.00	126.00	-	66
Nov	125.50	-0.50	126.00	126.00	41	231
Total					1,786	21,749

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 10	Nov 9	month ago	year ago
1481.6	1480.8	1456.6	1815.6

■ CRB Futures (Base: 1967 = 100)

Nov 9	Nov 6	month ago	year ago
204.46	205.84	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 9	Nov 6	month ago	year ago
148.54	148.19	150.71	203.53

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+50	to	528,325
Aluminium alloy	+160	to	86,740
Copper	+700	to	468,325
Lead	-175	to	110,200
Nickel	-96	to	60,306
Zinc	-600	to	341,675
Tin	-630	to	6,635

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	63.400	-0.775	64.300	63.275	5,706	40,547
Feb	64.925	-0.500	65.400	64.525	3,622	30,649
Apr	66.075	-0.450	66.575	65.975	1,264	19,326
Jun	63.850	-0.250	64.250	63.725	987	10,772
Aug	63.850	-0.050	63.950	63.650	141	6,194
Oct	65.900	-0.050	66.150	65.850	48	854
Total					11,781	108,409

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	34.875	-0.900	35.625	34.725	3,823	17,300
Feb	41.650	-0.825	42.500	41.550	2,022	11,153
Apr	44.350	-0.725	44.950	44.300	491	4,805
Jun	53.625	-0.825	54.300	53.550	273	3,151
Jul	54.225	-0.325	54.400	54.050	257	1,635
Aug	54.500	-0.300	54.775	54.400	344	1,577
Total					7,346	40,400

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	46.500	-0.800	47.100	46.000	1,008	3,631
Mar	46.075	-1.100	46.750	45.900	51	393
May	47.600	-0.475	48.075	47.500	10	181
Total					1,079	4,285

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Dec	Calls Mar	Puts Dec	Puts Mar
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1250	59	5	94	23
1300	25	21	63	41
1350	7	53	40	67
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1500	91	6	140	34
1600	27	42	82	74
1700	4	118	43	133
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1650	87	86	34	86
1700	60	65	57	115
1750	41	49	88	149
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	14	54	7	14
1000	3	39	21	24
1025	1	28	43	38
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1200	15	75	-	50
1250	3	51	-	75
1300	-	37	-	112

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.01-2.12x	-0.265
Brent Blend (dated)	$11.09-1.19	-0.13
Brent Blend (Dec)	$11.99-2.09	-0.13
W.T.I.	$13.44-3.52x	-0.12

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$139-141	-2
Gas Oil	$110-112	-1
Heavy Fuel Oil	$57-59	-1
Naphtha	$130-132	+2
Jet fuel	$123-125	-1
Diesel	$117-119	-2

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.05-15.10	+0.01

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)‡	$292.75	+0.30
Silver (per troy oz)‡	500.00c	+0.50
Platinum (per troy oz.)	$337.60	
Palladium (per troy oz.)	$272.00	-1.00
Copper	78.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.63r	
Tin (New York)	280.5	-5.0
Cattle (live weight)	81.40p	+1.57*
Sheep (live weight)	64.19p	-1.05*
Pigs (live weight)†	53.11p	+2.96*
Lon. day sugar (raw)	$193.20	-2.80
Lon. day sugar (wte)	$232.70	+0.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	49.50p	
Rubber (Jan)♥	50.00p	
Rubber (KL RSS No1)	274.50m	-0.50
Coconut Oil (Phil)§	735.0y	
Palm Oil (Malay.)§	665.0	
Copra (Phil)§	$460.0y	
Soyabeans (US)	157.0y	
Cotton Outlook 'A' index	57.50	-0.10
Wooltops (64s Super)	298p	

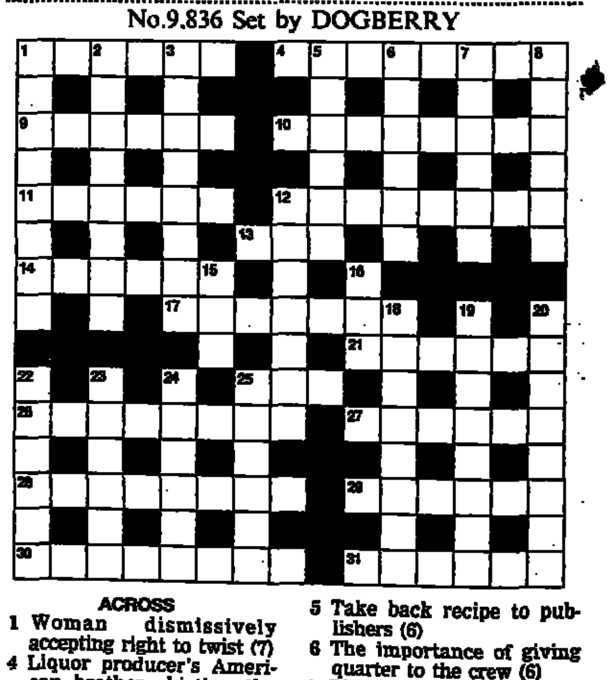
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Dec. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 3,690 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

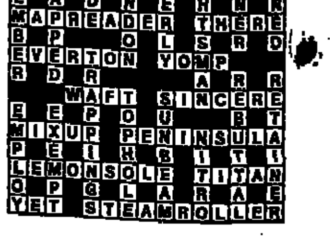
No.9,836 Set by DOGBERRY



ACROSS
1 Woman dismissively accepting right to twist (7)
4 Liquor producer's American brother skirting the Wild West (8)
9 Nark taking in very quiet little wave (6)
10 A little money protects detectives from misfortune (8)
11 Affirming loyalty to the short track (6)
12 Hang around after discharge produces easy victory (4-4)
13, 25 Computer offers apprentice suitable work (6)
14 Bad loser seizes head of the stable man (6)
17 Batter a martial artist into period of abstention (7)
21 One taken in by a sort of prodigy (6)
25 See 13
26 Overpaid when on the range (8)
27 Orwellian commoner receives a promise (6)
28 Bury girl at half-time (8)
29 Summary of teasing remarks about oriental model (6)
30 Boarding stage at sharp turn on the summit (4,4)
31 Irishman's to join us (6)

DOWN
1 Hospital in Notts town offers training session (8)
2 Hurry to put penny change in the river (8)
3 One coming down at the same time as the strainer? (8)
5 Take back recipe to publishers (6)
6 The importance of giving quarter to the crew (6)
7 Disciples wanting a wavelet to break (6)
8 Turning gyrator round without force (6)
12 Perfect example of standard contest (7)
15, 16 Assortment of Indian music about black guerrilla leader (3-3)
18 It's undeveloped and unencouraging (8)
19 Fresh emulsion left without second protective cover (8)
20 Drunkards rise after transmuting base mineral (8)
22 The modern cleavage is in need of stabilisation (6)
23 Mother and aunt wandering Italian city (6)
24 Carpenter's mate with a moustache (6)
25 Fruit yielded by automaton (6)

Solution 9,835



FINANCIAL TIMES WEDNESDAY NOVEMBER 11 1998

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1255, Hamilton, Bermuda 001 441 292 2780

Newport Investment Management
20 Reid St, PO Box HM 2906 Hamilton Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda HM 1144: 292 6370

Marshall Wace Asset Management Limited

Mackenzie International Advisors

Montgomery Emerging Markets Fund Ltd
NAV Oct 15 $758.10

Morgan Stanley Offs Advisory Mortgage Fd Inc
Class A Shares $10.15

National Investment Trust Company Ltd
The New Taipei Fund Ltd $18.7404

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd
Omega Overseas (Bal) Nov 5 $247.6409

Opportunity Fund (z)

Orion Capital Advisors Ltd

The Osprey Group Of Funds
Centaur Fund Ltd $0.3029

Pacific & General Investments Inc
NAV $1.0524

Pakistan Fund

Paulson International Ltd
NAV Sep 30 $122.84

Perry Partners International Inc

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Newton Fund Mgrs - Contd.

Perpetual Fund Management (Jersey) Ltd

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

Fleming Group - Contd.

Mercury Asset Management

Templeton Global Strategy Funds (u)

LUXEMBOURG (REGULATED)(**)

Cox & Kings Overseas Fund

Credit Agricole Indosuez

Credit Lyonnais

Credit Suisse Asset Mngmt Funds

MFS American Funds

OFFSHORE INSURANCES

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Equitable Life (International)

PanEuroLife societe anonyme

Anfield-Hemon Investment Mgmt Inc

Arnhold and S. Bleichroeder, Inc

Asia Debt Management Hong Kong Ltd

Dresdner RCM Global Investors - Contd.

Dresdner Bank Investment Group

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd

Mortimer & Scott

National Mutual Funds Management

Nautilus Global Limited

New Asia Asset Management Ltd

Scudder, Stevens & Clark Inc

SEASAM Return Fund Ltd

Europe 1992

Eurovest Ltd

Everest Capital Limited

F.I. Founders Asset Management Ltd (IoM)

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	φN	518¼xd	-¼	646	385	1,226	4.9	13.5
Bulmer (HP)		358	[illegible]	427½	231½	-	5.4	15.1
Burn Stewart		23	[illegible]	49½	[illegible]	37	-	-
Diageo	sN	595xd	-20	795	449½	6,829	3.3	18.0
Glenmorangie A		702½	—	875	685	-	2.5	16.4
B		827½		1050	827½	-	1.7	38.8
Highland	G	249½	-½	325	225	27	4.8	11.1
5¾pc Cv Sb Bd		98	-¼	99½	88	-	6.4	-
Kirin Y		631¼	-13½	673¼	416¼	-	0.9	62.7
Matthew Clark	‡♣	220½	—	242	115	68	6.6	8.2
Merrydown		24½		74½	23½	-	-	φ
Seagram C$		£21[illegible]	-¼	£28[illegible]	£14[illegible]	-	1.2	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	+ or -	52 week high	52 week low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emrg Asia		17	—	*37½	13½	—	26.4	35.8
Warrants		1	—	4	0½	—	—	—
Aberdeen Japan Smlr Fd		200	-3¼	282	158	—	250.4	20.1
Warrants		5	—	41	1¼	—	—	—
Baring Emrg Euro		77¼	-1	118	55	—	98.8	21.8
Warrants		42½	-¼	87½	20¼	—	—	—
Brazilian IT		37	-¼	61½	5	2.2	46.2	19.9
Warrants		8¼	—	23¼	7	—	—	—
Central Euro Gwth		40¼	-¼	69¼	26¼	—	50.7	20.6
Warrants		8¼	—	12	0½	—	—	—
East German		11½	—	13	5½	—	21.4	47.4
Egypt Trust $		601½	-4	828¾	567½	1.4	—	—
Fleming Latin American $		74½	-1¼	132	46	—	106.8	30.2
Warrants		32½	-¼	63	16½	—	—	—
1st Russian Frontiers $		182½	-2½	1245	160	—	438.2	58.4
Warrants		65	—	708	35	—	—	—
Warrants II		35	-2½	675	25	—	—	—
[illegible] Chile $		101¼xd	-1	162½	66¼	1.8	136.8	25.9
Warrants		1	—	18¼	0¼	—	—	—
Govett Asian Smlr		62½	-2½	119½	31	1.1	89.7	30.3
Warrants		0¼	—	9¼	0¼	—	—	—
[illegible]		27¼xd	—	38½	15½	0.7	35.8	22.5
Warrants		3½	—	7½	1½	—	—	—
Indonesia Fund		127½	-¼	289½	120	—	—	—
Warrants		7½	—	188½	3¼	—	—	—
Israel Fund $		42½	-½	63¼	40	—	48.3	12.2
Korea-Europe $		138¼	-11	201¼	80	0.9	175.4	22.0
Korea Liberal $		75¼	-15¼	132½	58½	—	119.5	37.1
Warrants		15	—	17¼	5	—	—	—
Lazard Birla India		27¼	-¼	39¼	27½	—	—	—
Warrants		3¼	—	8	2¼	—	—	—
Schroder Korea Fd $		218½	-15½	282¼	133½	—	—	—
Warrants $		3½	—	17½	2¼	—	—	—
Scottish Asian Pig		108xd	-2½	148	77	0.9	115.4	5.5

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official list.

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1999.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
, ex dividend;
, ex scrip issue;
, ex rights;
, ex all;
, ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK. Annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0085

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Retail and manufacturing data offer no respite

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There was increasing anxiety in London's equity market yesterday, with share prices extending Monday's weakness for much of the session. Dealers argued that the market had overreached itself and, at best, a period of consolidation was now in prospect.

That view was reinforced by the emergence of further confidence-sapping profit warnings and downgrades as well as a general round of weakness across international stock markets.

Additional pressure came with some increasingly disturbing news from the high street. The latest British Retailing Consortium survey, for October, revealed that sales last month had fallen 0.6 per cent, only the second monthly decline in retail sales in more than three years.

There was no respite from the latest quarterly survey by the Confederation of British Industry of regional trends in manufacturing.

And sterling gave precious little help to the market, edging ahead again and finishing slightly higher on the Bank of England's exchange rate index after a steep rise on Monday. That gave renewed cause for concern among the big exporters and engineering stocks.

Finally, there were few indications from Wall Street's initial weak opening that a rally was in sight for a rather worn-out looking London market.

Nevertheless, minutes after the US opening, a strong rally took place on Wall Street, taking the Dow Jones Industrial Average back into positive territory for a brief period and triggering a rise in London.

Such was the impetus behind the rally that the FTSE 100 briefly nudged into positive ground, only to drift back to show a marginal 1.6 decline at 5,432.3.

Dealers refused to get excited about the rally in the front-line stocks, pointing out that the pick-up in the leaders had not run through at all to the rest of the stock market. The FTSE 250 index, reflecting some exceptionally heavy selling pressure right across the second-liners, finished a hefty 60.5 lower at 4,874.4.

The FTSE SmallCap, although not as badly mauled as the mid-caps, was also feeling the pinch, with the index settling a net 6.8 easier at 2,059.8, having been 7.7 lower at its worst of the day, just after noon.

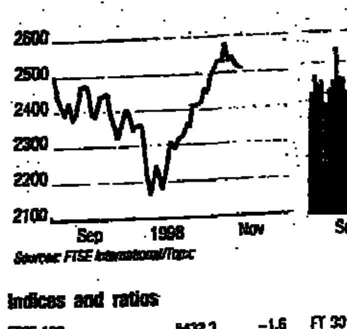
Earlier, London always looked to be under pressure, after a poor showing on Monday by Wall Street, where the Dow dipped 77 points as hopes began to fade that the US Federal Reserve might recommend another cut in US interest rates

With the wider market on the retreat, it was left to traditionally defensive areas to bolster trade. Utilities provided two of the top three stocks in the FTSE 100.

The retailers generally took a pasting but, ironically, it was Marks and Spencer, which triggered a widespread setback in the sector after its recent dismal interim figures, that figured among the best of the leaders. The stock market took the view that the battle to succeed Sir Richard Greenbury will be settled very quickly.

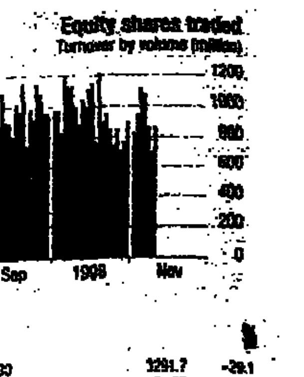
Turnover in equities picked up, reaching 855.7m shares.

FTSE All-Share index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5432.3	−1.6
FTSE 250	4874.4	−60.5
FTSE 350	2595.8	−6.1
FTSE All-Share	2510.78	−6.03
FTSE All-Share yield	3.12	3.12

FT 30	3291.7	−29.1
FTSE Non-Fins p/e	21.08	21.11
FTSE 100 Fut Dec	5470.0	+22.0
10 yr Gilt yield	5.07	5.14
Long gilt/equity yld ratio	1.63	1.63

Best performing sectors

1 Water +3.8
2 Electricity +2.4
3 Utilities +2.0
4 Tobacco +1.6
5 Household Goods +1.4

Worst performing sectors

1 Alcoholic Beverages −2.5
2 Engineering: Vehicles −2.5
3 Oil Exploration −2.4
4 Support Services −1.9
5 Other Financial −1.7

Stores under pressure

COMPANIES REPORT

By Peter John, Martin Brice and Caroline von Loewenich

Pressure mounted on the retailing sector as Storehouse became the latest to suffer a swingeing downgrade, prompting the shares to drop to their lowest for several years.

They fell 7½ to 168p, one of the worst performances in the MidCap index, after Tony Shiret, retail analyst at CSFB, cut his forecast for next year by 24 per cent and rated the stock a "sell". The shares stood at 294p earlier this year, before investors took fright at the prospects of a UK economic slowdown.

He also highlighted the troubles of the sector as he told clients that Storehouse may be attractive to a predator, but "given the amount of distressed space likely to be available on high streets ... we would expect this to be at lower levels".

He added: "With the worst of the clothing cycle's downturn probably still to come, one would question the wisdom of an external suitor becoming involved with this company." Movements in the shares would be driven by a series of downgrades, he said.

His downgrade was driven by estimates of falls in both sales growth and margins, and moved to £79.2m for this year and £72m for next.

A British Retail Consortium survey added to the gloom in retailing as it found a 0.6 per cent decline in sales in October from the same month last year.

However, Oasis was up 2 at 139p after a "buy" note from Teather & Greenwood in which analyst Rowan Morgan said: "No matter what the rating is saying, the company will survive, is underpinned by a strong cash flow and should be bought for recovery." At yesterday's close, the shares were at a price earnings ratio relative to the market of 40.

Marks and Spencer rose 18 to 436p as stories circulated that a management change was in the offing, while the stock received support from Flemings Research, which said: "We will have M&S firmly on the buy list as soon as the mists clear on consumer demand."

Buying of the classic defensive plays ensured that British Energy put on a sprightly performance ahead of interim figures today.

The shares ran ahead by 29 to 583p on hope that the generator will come up with profits of around £15m against only £4m last time.

There was selected broker support. Angelos Anastasiou at Crédit Lyonnais reinforced his support for the stock. The broker has a discounted cash flow target price of 750p and belives Energy is the cheapest stock in the sector. And Goldman Sachs highlighted its top-level share price target of 600p.

There was also a whiff of fundamental optimism. Bids for London Electricity have now closed and brokers believe Energy might be in a strong position to win. They say acquisition would reduce the company's risk profile.

Failing regulatory problems, Energy is seen as joint favourite with Electricité de France for control of the capital's electricity supplier.

Other utilities also moved forward against the trend. Severn Trent gained 60 to £10.90 and Thames Water 40 to £11.66 on perceptions that water had been the worst-performing sector in the UK since the start of the fourth quarter.

The heat over Halifax and its possible partner refused to die down yesterday and the shares added another 12¼ at 864½p.

Undeterred that the new chief executive had not even had a chance to pick out the wallpaper for his office, the market pushed forward a recovery that has taken the stock from below 680p in August.

And with the latest crop of merger candidates – Royal Bank of Scotland, Barclays and Prudential – already beginning to be discounted, rumour hungry dealers were rehashing older stories. Life insurer Norwich Union, once seen as the mortgage lender's dream ticket, lifted 13 to 426p. However, Tim Young at SG Securities remained cynical. "There are few synergies between banks and life companies," he said.

Booker saga

The saga of the decline of Booker from a company worth almost £1bn to just £160m in just two years took yet another extraordinary twist. It issued a profits warning that saw the shares almost halve. They were the worst performers in the market, dipping 46 per cent and declining 54¾ to 64¼p.

Volume was 16m. The stock has not traded at this level since the early 1980s, and with a market capitalisation of £160m the company is among the smallest in the FTSE 250 index.

Analysts suggested that the profits warning laid bare the reasons why merger talks earlier this year with Budgen and Somerfield had broken down.

A measure of investor dissatisfaction with the company's performance was the manner in which analysts dismissed any suggestion that a bidder might emerge for Booker, even in the light of yesterday's depressed share price.

Carl Short, analyst at SG Securities, said: "There is still a decent cash and carry business there, and if it is managed properly it will one day earn someone a decent return, but who that will be we cannot yet say."

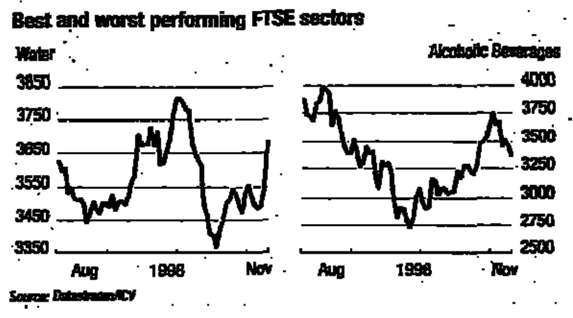
Celtic, the Glasgow football club and current Scottish premier league champions, was up 30 at 292½p, having hit 350p at one point. It confirmed a consortium including Kenny Dalglish, a former Celtic player, and Jim Kerr, the rock star, had asked to meet majority shareholder Fergus McCann about a possible offer for the club. Any offer would be below the current market price, a statement from Celtic said.

Mr McCann has a 51 per cent stake in Celtic and has indicated his intention of selling his stake and returning to Canada, where he built a substantial business, by March next year.

Mr McCann took over control of Celtic some years ago, when the football club was in dire straits. He rebuilt its stadium, now the biggest in the United Kingdom, with a capacity of more than 60,000 and took the Scottish premier league championship.

BT gained 9 to 831p, after hitting 837p earlier on speculation about a more aggressive dividend policy from the telecoms leader. Some analysts predict a hike from the current 6½ per cent to around 8 per cent. The shares were enhanced by a "buy" recommendation from Merrill Lynch.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4	Yr ago	*High	*Low
FT 30	3291.7	3320.8	3347.4	3332.5	3421.2	3137.1	4004.9	2790.6
Ord. div. yield	3.19	3.17	3.15	3.16	3.08	3.82	4.22	2.72
P/E ratio net	21.00	21.12	21.30	21.22	21.73	20.31	25.41	15.80
P/E ratio nil	20.91	21.03	21.21	21.13	21.64	20.03	25.19	15.71

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3320.1	3294.1	3304.2	3297.0	3297.6	3293.0	3289.2	3298.6	3320.1	3283.8

STOCK MARKET TRADING DATA

	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4	Yr ago
SEAQ bargains	57,101	63,625	64,156	71,891	77,145	40,598
Equity turnover (£m)†	-	2456.0	2620.1	3076.1	3224.8	2751.0
Equity bargains†	-	47,950	51,385	57,887	60,130	39,092
Shares traded (m)†	-	723.1	746.0	977.0	967.3	800.9
Total market bargains‡	-	63,913	345,929	73,335	75,175	-
Total turnover (£m)‡	-	3272.8	20006.4	4215.4	4457.1	-
Total shrs traded (m)‡	*855.7	917.8	5602.0	1219.8	1253.7	-
Tradepoint turnover (£m)	22.3	13.7	24.6	28.0	28.5	62.0
Tradepoint shrs traded(m)	10.2	5.5	12.0	11.9	12.5	21.5

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	431	Total Highs	39	Total contracts	24,691
Total Falls	1,117	Total Lows	50	Calls	15,155
Same	1,385			Puts	9,536

Nov 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5418.0	5470.0	+22.0	5495.0	5395.0	24266	2013[illegible]
Mar	5485.0	5513.0	+20.5	5493.0	5463.0	1874	12707
Jun	5496.0	5556.0	+17.5	5506.0	5506.0	220	9100

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4890.0	-59.0			0	8626

■ FTSE 100 INDEX OPTION (LIFFE) (*5422) £10 per full index point — Nov 10

	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P	5450 C	5450 P	5500 C	5500 P	5550 C	5550 P	5600 C	5600 P
Nov	240½	45½	285	59½	160½	74½	138	92½	110	115	84	139½	64	169½	45	202
Dec	360½	141½	324	154½	292½	172½	263	193	233½	213½	204½	234½	178½	258	155½	295
Jan	438	199	405	219½	378	238½	345	259½	315	278½	285	297½	255	317½	230	343
Feb	512½	262	481½	280½	451	299½	420	318½	389½	338	359½	357½	328	377½	300½	401
Jun†			603½	432			603	468			541½	505			481	545

Calls 677 Puts 868

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Nov 10

	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P	5525 C	5525 P	5575 C	5575 P	5625 C	5625 P
Nov	222	32½	185½	68½	151½	92	121½	102	94½	125	69	149½	51½	182	38½	217
Dec	342½	149	308½	162½	274½	180	243½	196½	212	217	184	233½	158	253	137½	291½
Jan	424	209½	392½	227½	360	244½	329	262½	297½	281	268½	298	241½	323½	218½	348
Mar			518½	327			449½	363½			387	399			331½	441
Jun†			647½	425½			584	458½			534½	505			483½	548

Calls 8,111 Puts 5,577 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	–	53½	48	Anglian Water B	51½		–	–	–	–
–	F.P.	3.59	85	70	†Chemid	70		–	–	–	–
§	F.P.	6.10	117	107	Collective Assets Tst	117		–	–	–	26.3
–	F.P.	49.9	102½	98	Exeter Enhanced	102½	-½	F9.0	–	11.8	–
–	F.P.	398.1	325½	229½	First Active	291½	-9	–	–	–	17.5
§	F.P.	21.6	102	100½	Guinness Fli Grd ISG	102	+1	–	–	–	–
§	F.P.	8.38	106	101	Do Inc	105½		–	–	–	–
§	F.P.	15.5	102½	100	Do Zero Div Prf	102½	+½	–	–	–	–
§55	F.P.	14.1	62½	56½	†Honeycombe Leisure	62½		–	–	–	9.9
§97	F.P.	8.00	103	97½	MSW Technology	97½		–	–	–	14.8
–	F.P.	35.6	12½	10	Marley B	10½		–	–	–	–
§	F.P.	5.17	5½	5	†Natural Bldg Mtls	5½		–	–	–	–
§	F.P.	2.10	105	105	†Do Cnv Prf	105		–	–	–	–
–	F.P.	–	62½	50½	†Old Monk Company	50½		–	–	–	12.7
–	F.P.	7.48	93	90½	Piccadilly Grwth	90½		1.6	0.8	2.2	71.0
100	F.P.	–	103	97½	REXAM B	100		–	–	–	–
–	F.P.	–	15	14	Thistle Hts Non Cm Pf	14½		–	–	–	–
–	F.P.	–	15	5	Xenova Wts	13½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 9	% chg on day	Nov 6	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (28)	1118.13	−1.8	1138.38	1152.37	1.67	1120.12	1351.57	701.38
■ Regional Indices								
Africa (8)	1160.88	−3.3	1200.99	1186.19	3.59	1164.93	1488.04	765.63
Australasia (9)	1296.70	−2.0	1323.34	1173.54	2.34	1300.93	1600.53	815.93
Americas (11)	1084.84	−1.0	1096.12	1152.24	0.68	1085.64	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 10	Day's chge%	Nov 9	Nov 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5432.3	—	5433.9	5491.0	4793.7	2.96	2.53	1.98	21.34	132.77	2401.02
FTSE 250	4874.4	−1.2	4934.9	4942.1	4635.8	3.65	3.09	2.12	16.14	122.45	2112.71
FTSE 250 ex Inv Tr	4913.7	−1.3	4976.1	4976.7	4676.7	3.79	3.22	2.19	15.05	126.95	2138.55
FTSE 350	2595.8	−0.2	2601.9	2626.2	2321.9	3.08	2.62	2.01	20.23	63.71	2344.35
FTSE 350 ex Inv Tr	2601.6	−0.2	2607.6	2630.7	2325.0	3.09	2.64	2.02	20.01	64.21	1205.26
FTSE 350 Higher Yield	2507.8	−0.3	2515.8	2534.1	2310.0	4.12	3.49	1.94	15.66	81.02	1942.22
FTSE 350 Lower Yield	2682.0	−0.1	2685.9	2714.7	2345.8	1.97	1.70	2.17	29.29	48.47	1962.45
FTSE SmallCap	2059.81	−0.3	2066.40	2066.72	2309.68	4.03	3.28	1.97	15.73	54.45	1812.38
FTSE SmallCap ex Inv Tr	2022.04	−0.2	2025.38	2022.65	2323.65	4.37	3.56	2.07	13.83	57.75	1799.09
FTSE All-Share	2510.78	−0.2	2516.81	2538.22	2275.74	3.12	2.68	2.01	19.95	61.83	2301.35
FTSE All-Share ex Inv Tr	2519.49	−0.2	2525.16	2546.51	2280.27	3.14	2.68	2.02	19.64	62.59	1188.25

■ *FTSE* Actuaries Industry Sectors

	Nov 10	Day's chge%	Nov 9	Nov 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(20)	4102.19	−1.3	4155.29	4202.02	4477.46	3.64	3.24	1.51	22.71	132.12	1914.08
12 Extractive Industries(6)	2819.53	−1.5	2861.57	2896.32	3201.33	4.85	4.46	1.99	12.96	126.49	908.07
15 Oil, Integrated(3)	4677.54	−1.2	4733.25	4797.98	4853.29	3.53	3.13	1.45	24.37	145.75	2244.45
16 Oil Exploration & Prod(11)	2074.69	−2.4	2124.92	2069.56	3774.38	2.65	2.31	0.96	49.31	46.95	1298.53
20 GEN INDUSTRIALS(211)	1745.05	−1.2	1766.90	1767.25	2014.95	4.20	3.70	2.22	13.38	58.65	1041.95
21 Construction(39)	1287.07	−1.3	1304.04	1301.98	1366.18	3.96	3.20	2.97	10.62	37.73	1165.06
22 Building Matls & Merchs(28)	1611.38	−1.6	1637.53	1638.00	1789.07	4.65	4.01	2.12	12.70	58.57	893.59
23 Chemicals(23)	2020.18	−1.6	2052.84	2038.92	2438.05	4.54	4.25	1.78	15.63	72.95	1049.74
24 Diversified Industrials(6)	1119.88	−0.3	1123.88	1126.77	1338.62	4.95	4.69	2.10	12.05	57.13	709.47
25 Electronic & Elect Equip(26)	2364.47	−0.3	2370.71	2337.69	2215.31	3.25	2.63	1.85	20.75	60.32	1324.35
26 Engineering(59)	2231.38	−1.1	2256.77	2265.99	2759.78	4.33	3.83	2.23	12.96	79.00	1464.84
27 Engineering, Vehicles(10)	3205.51	−2.5	3286.27	3351.52	3417.05	2.79	2.56	3.27	13.72	75.72	1785.24
28 Paper, Pckg & Printing(22)	1520.97	−1.4	1541.79	1551.87	2193.49	6.07	5.55	2.46	8.39	68.02	696.88
30 CONSUMER GOODS(91)	5603.68	+0.3	5584.66	5643.14	4472.73	2.46	2.22	1.92	26.53	125.19	2238.40
32 Alcoholic Beverages(6)	3371.28	−2.5	3458.59	3509.24	3191.74	3.69	3.43	2.13	15.87	136.98	1351.02
33 Food Producers(27)	3713.74	+0.8	3683.14	3673.07	3139.27	2.54	2.18	2.31	21.29	74.24	1812.50
34 Household Goods & Texts(22)	2572.38	+1.4	2537.01	2507.65	2827.81	4.07	3.62	1.79	17.18	85.80	1101.04
36 Health Care(13)	2414.39	−0.4	2424.58	2459.94	2210.01	2.15	1.98	2.18	26.67	46.87	1558.70
37 Pharmaceuticals(20)	9653.70	+0.7	9580.35	9726.39	7073.31	1.83	1.71	1.59	43.04	165.24	3478.79
38 Tobacco(3)	6582.74	+1.6	6482.54	6576.90	4439.26	5.18	4.31	2.04	11.88	210.91	1859.81
40 SERVICES(280)	3249.66	−0.1	3253.37	3258.80	2769.10	2.65	2.18	2.09	22.60	61.12	1802.54
41 Distributors(29)	1901.58	−0.5	1910.84	1935.39	2601.25	5.17	4.27	2.02	11.96	73.19	759.88
42 Leisure & Hotels(28)	3025.85	−0.3	3034.86	3036.56	3191.81	3.11	2.61	2.82	15.30	79.87	1728.84
43 Media(39)	4109.90	+0.4	4094.13	4093.88	4055.03	2.54	2.13	2.14	22.96	84.17	1569.57
44 Retailers, Food(13)	2898.84	−0.2	2902.43	2913.53	2660.01	3.17	2.53	2.16	18.23	68.90	1995.17
45 Retailers, General(49)	2012.87	—	2012.26	2000.91	2263.43	3.80	3.04	2.10	15.65	56.29	1242.33
46 Telecommunications(8)	4671.18	+0.3	4654.89	4637.46	2492.92	1.84	1.53	1.56	43.47	47.70	2291.16
47 Breweries, Pubs & Rest.(24)	3342.83	+0.6	3323.50	3355.51	3229.71	3.68	2.96	2.37	14.26	71.57	1719.74
48 Support Services(65)	4190.75	−1.9	4270.88	4337.34	3307.86	1.49	1.25	2.74	30.68	48.96	2775.90
49 Transport(25)	3403.36	−0.6	3424.63	3443.48	2912.30	3.13	2.65	2.02	19.74	78.82	1533.85
60 UTILITIES(21)	4263.53	+2.0	4180.42	4159.80	3173.49	3.80	3.14	1.77	18.60	101.47	2060.70
62 Electricity(8)	4628.15	+2.4	4521.38	4543.47	3472.68	4.38	3.50	1.89	15.13	113.98	2737.26
64 Gas Distribution(2)	3476.03	−0.4	3488.38	3445.82	2316.28	1.94	1.55	‡	‡	54.02	2026.19
68 Water(11)	3682.33	+3.8	3546.34	3494.65	2978.66	4.89	4.12	2.36	11.30	112.14	2304.61
69 NON-FINANCIALS(623)	2585.56	−0.1	2588.37	2599.32	2308.84	3.02	2.60	1.96	21.08	61.09	2128.43
70 FINANCIALS(105)	4667.14	−0.6	4694.25	4794.41	4402.69	3.53	2.93	2.18	16.25	134.82	2183.23
71 Banks, Retail(12)	6874.84	−0.5	6909.61	7086.43	6501.00	3.72	2.97	2.12	15.87	199.47	2435.36
73 Insurance(15)	2036.03	−0.7	2050.99	2109.49	1939.38	3.47	3.27	2.18	16.55	77.07	1705.68
74 Life Assurance(8)	6679.45	−0.7	6727.15	6841.87	5274.63	2.89	2.49	2.70	16.03	167.30	3011.06
77 Other Financial(25)	3550.46	−1.7	3612.56	3617.54	3297.76	3.06	2.51	2.55	16.10	97.86	2186.36
79 Property(45)	1791.14	+0.3	1785.13	1776.73	2147.39	3.72	3.14	1.59	21.06	41.72	1186.25
80 INVESTMENT TRUSTS(115)	3416.13	−0.8	3442.86	3476.53	3258.36	2.38	1.94	1.18	44.69	58.05	1253.48
89 FTSE All-Share(843)	2510.78	−0.2	2516.81	2538.22	2275.74	3.12	2.66	2.01	19.95	61.83	2301.35
105 FTSE All-Share ex Inv Tr(728)	2519.49	−0.2	2525.16	2546.51	2280.27	3.14	2.68	2.02	19.64	62.59	1188.25
Information Technology	1274.25	−2.7	1309.23	1332.67	–	0.73	0.59	4.06	41.72	6.84	1280.45
FTSE Fledgling	1138.08	−0.3	1139.98	1140.59	1263.03	3.85	3.16	1.42	22.80	32.10	1275.82
FTSE Fledgling ex Inv Tr	1142.71	−0.2	1145.37	1145.16	1283.90	4.21	3.47	1.52	19.59	35.84	1289.83
FTSE AIM	813.3	−0.6	818.6	818.3	998.5	1.17	0.93	0.37	80.00†	9.35	755.68

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5426.9	5374.5	5385.8	5384.3	5390.4	5381.8	5382.7	5398.9	5435.7	5359.5
FTSE 250	4926.2	4902.0	4891.8	4884.1	4882.8	4882.9	4883.5	4880.5	4926.2	4873.7
FTSE 350	2598.3	2575.4	2578.9	2577.6	2579.9	2576.5	2576.9	2583.1	2598.4	2570.3
FTSE SmallCap	2065.17	2062.14	2060.62	2059.70	2058.95	2059.38	2059.35	2059.30	2065.96	2058.67
FTSE All-Share	2513.43	2492.18	2495.32	2494.09	2498.16	2493.06	2493.42	2499.06	2513.51	2487.61

Time of FTSE 100 Day's high: 16.28.30 Day's low: 9.49.00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9.04.00 Day's low: 9.49.00. FTSE All-Share 1998 High: 2885.20 (20/07/98) Low: 2165.10 (05/10/98)
Further information is available on http://www.ftse.com.
 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	423	533	+8
AMVESCAP	1,000	438	−15
ASDA Group	17,200	161¼	−3½
Abbey National	3,300	1124	−18
Alliance & Leicester	502	868	+4½
Allied Domecq	1,300	518½	+1
Allied Zurich	10,600	675	−19½
Anglian Water†	999	903	+33
Assoc. Brit. Foods	1,800	622	+25
BAA	1,700	636	+15
BOC	1,300	858	[illegible]
BG	9,300	402	[illegible]
BP	18,600	882	−9
BSkyB	4,100	486	−4
BT	11,600	831	+9
BTR	8,600	102½	−6¼
Bank of Scotland	3,100	582	−25
Barclays	6,100	1225	+20
Bass	1,300	748	+14½
Billiton	10,100	141½	−2
Boots	2,700	988	+2
Britannic Assurance†	186	1220	−40
Brit. Aerospace	4,300	440	−6
British Airways	4,700	395	−10
Brit. Amer. Tobacco	9,300	485	+8
British Energy	5,000	583	+29
British Land	1,700	520½	+1½
CGU	3,000	883	−5
CMG†	4,800	1500	−25
COLT Telecom	2,500	680	−20
Cable & Wireless	7,100	648	−7
Cadbury Schweppes	2,400	895	−10
Carlton Comms.	3,800	422½	−13½
Centrica	6,200	117	−3½
Compass	924	696	−24
Diageo	8,800	595	−20
EMI	7,500	382½	+5½
Dixons†	4,700	593	−27
Foreign & Col I T	773	180	−4
General Electric	2,800	482	−2
Gallaher	8,800	440	+5½
Glaxo Wellcome	4,100	1833	−1
Granada	1,800	905	+20
GUS	3,100	825	−21
GRE	5,100	281	+6
GKN	3,000	682	−25
HSBC (75p shs)	4,300	1418	−18
HSBC (HK$10)	2,900	1355	−12
Halifax	4,800	864½	+12½
Hays	1,900	536	−24
ICI	3,000	598	−1
Imperial Tobacco	3,500	645	+18
Kingfisher	2,700	547	+2
Ladbroke	5,700	229	−4
Land Securities	740	869	+15
Legal & General	1,700	659	−20
Lloyds TSB	8,300	783½	+3½
LucasVarity	3,500	208	−2
Marks & Spencer	10,100	436	+18
Misys	2,100	421	[illegible]
NatWest Bank	4,700	933	[illegible]
National Grid	6,400	420½	+17½
National Power	8,000	539	+14
Norwich Union	2,900	426	+13
Nycomed Amersham	1,200	400	−8
Orange	2,700	590	−3
Pearson	2,300	1020	−10
P & O	1,400	811	−8
PowerGen	1,900	865	+10½
Prudential	3,200	802	−11
Railtrack	3,100	1686	+34
Reckitt & Colman	1,300	1031	+18½
Reed Intl.	2,400	481	−9
Rentokil Initial	2,300	398	−4
Reuters	6,200	615	+15
Rio Tinto	2,300	733½	−12½
Rolls Royce	7,100	230	−1¼
Royal & Sun Alliance	4,100	486	+3
Royal Bank Scotland	3,000	783	−34
Safeway	4,200	297½	
Sainsbury	2,400	539	−8
Schroders	342	1450	−38
Schroders N/V	74	985	+5
Scottish & Newcastle	1,900	733	+1
Scottish Power	3,700	611	+7
Securicor	1,200	492	−4
Sema	1,300	498	−4
Severn Trent	771	1090	+60
Shell Transport	8,500	346	−5
Siebe	8,300	233	+10
SmithKline Beecham	7,900	718	+6
Smiths Inds	1,300	808	−10½
Southern Electric	934	846	+13
Stagecoach	3,000	223	−4
Standard Chartered	5,600	591	−13½
Sun Life & Provincial	855	500	+2
TeleWest Comms.	587	138	
Tesco	10,500	178	+2½
Thames Water	2,000	1166	+40
Tomkins	1,100	306	−3
Unilever	7,000	625	+16½
Utd. News & Media	1,300	640	+11
United Utilities	3,100	885	+24
Vodafone	6,400	817	−8
WPP	1,300	332½	+17½
Whitbread	965	889	+30
Williams	1,400	390	−1
Woolwich	2,900	385½	+8½
Zeneca	673	2290	+55

Based on trading volumes for the FTSE 100 constituent companies and securities yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT information.

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 10 / Sch)

BELGIUM/LUXEMBOURG (Nov 10 / Frs.)

CZECH REP (Nov 10 / Koruna)

DENMARK (Nov 10 / Kr)

FINLAND (Nov 10 / Mka)

FRANCE (Nov 10 / Frs.)

GERMANY (Nov 10 / Dm.)

GREECE (Nov 10 / Drachma)

ITALY (Nov 10 / Lira)

NORWAY (Nov 10 / Kroner)

POLAND (Nov 10 / Zloty)

PORTUGAL (Nov 10 / Escudo)

SPAIN (Nov 10 / Pta.)

NETHERLANDS (Nov 10 / Fls.)

SWEDEN (Nov 10 / Kronor)

SWITZERLAND (Nov 10 / Frs.)

TURKEY (Nov 10 / Tk.Lira)

PACIFIC

JAPAN (Nov 10 / Yen)

HONG KONG (Nov 10 / H.K.$)

INDONESIA (Nov 10 / Rupiah)

MALAYSIA (Nov 10 / MYR)

NEW ZEALAND (Nov 10 / NZ $)

SINGAPORE (Nov 10 / S$)

AUSTRALIA (Nov 10 / Aust$)

SOUTH KOREA (Nov 10 / Won)

TAIWAN (Nov 10 / TW $)

THAILAND (Nov 10 / Baht)

AMERICAS

CANADA

TORONTO (Nov 10 / Can $)

4 pm close

MONTREAL (Nov 10 / Can $)

4 pm close

MEXICO (Nov 10 / Peso)

12.30pm

AFRICA

SOUTH AFRICA (Nov 10 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 9 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 6 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	195.64	-0.3	174.78	150.00	171.63	205.62	-0.2	3.62	196.31	175.06	148.81	168.65	206.02	219.96	163.86	203.37
Austria (22)	186.59	-2.2	166.70	143.07	163.70	163.58	-0.7	2.13	190.76	170.12	142.66	164.86	164.74	253.73	168.45	195.77
Belgium (22)	375.11	-1.5	335.12	287.61	329.08	322.01	0.0	2.10	380.93	339.70	284.88	329.20	322.12	398.52	242.42	243.33
Brazil (32)	166.76	-0.3	148.99	127.87	146.30	365.16	-0.2	2.44	167.25	149.15	125.08	144.54	365.76	289.34	102.68	208.32
Canada (119)	194.06	-1.4	173.38	148.80	170.25	215.55	-1.2	1.85	196.92	175.60	147.26	170.18	218.09	248.78	159.94	215.41
Denmark (34)	463.25	-2.4	413.87	355.20	406.41	404.17	-0.9	1.73	474.41	423.07	354.79	409.99	407.76	537.33	408.26	410.72
Finland (28)	451.19	-0.4	403.10	345.95	395.83	485.85	1.1	1.88	453.20	404.15	338.93	391.66	480.70	506.46	267.59	312.46
France (76)	298.21	-1.8	266.42	228.65	261.62	264.62	-0.3	2.36	303.54	270.69	227.01	262.32	265.39	345.18	222.08	225.37
Germany (55)	263.90	-2.8	235.77	202.35	231.52	231.52	-1.4	1.40	271.55	242.16	203.08	234.68	234.68	325.61	208.90	213.82
Greece (35)	277.51	-2.3	247.93	212.78	243.47	565.81	-0.3	1.53	284.03	253.29	212.41	245.46	567.31	333.20	211.47	–
Hong Kong, China (67)	303.62	-3.3	271.25	232.80	266.37	301.75	-3.3	4.34	313.95	279.98	234.79	271.32	312.09	369.07	196.64	348.87
Indonesia (26)	40.68	2.5	36.34	31.19	35.69	210.86	4.4	1.51	39.67	35.37	29.66	34.28	201.97	127.17	19.04	127.17
Ireland (16)	464.54	-1.2	415.02	356.18	407.54	443.85	0.3	2.14	470.22	419.33	351.65	406.37	442.52	560.44	373.47	377.18
Italy (53)	151.57	-3.1	135.42	116.22	132.98	188.99	-1.6	1.47	156.43	139.50	116.99	135.19	192.06	184.49	105.79	107.76
Japan (446)	93.60	-3.0	83.62	71.77	82.12	71.77	-0.5	1.05	96.45	86.01	72.13	83.35	72.13	108.73	76.83	102.79
Mexico (26)	1195.53	-2.1	1068.09	916.67	1048.85	13100.72	-1.8	1.95	1221.70	1089.48	913.65	1055.80	13342.71	1803.07	787.15	1527.72
Netherlands (27)	472.63	-0.9	422.25	362.39	414.64	410.40	0.6	2.27	477.09	425.45	356.79	412.30	408.17	562.38	301.03	399.78
New Zealand (18)	60.66	-0.4	54.19	46.51	53.22	60.06	0.1	4.80	60.89	54.30	45.53	52.62	60.01	88.77	45.68	88.77
Norway (38)	227.44	-3.6	203.20	174.39	199.54	230.39	-2.6	2.61	236.03	210.48	176.51	203.98	236.51	357.71	181.86	353.56
Philippines (22)	75.42	-4.6	67.88	57.83	66.17	149.59	-4.9	1.04	79.05	70.49	59.12	68.31	157.28	106.98	42.48	88.37
Portugal (18)	253.97	-2.3	226.90	194.73	222.81	300.76	-0.8	1.07	260.06	231.91	194.48	224.74	303.34	299.39	194.13	–
Singapore (41)	177.94	-6.6	158.97	136.43	156.11	135.72	-5.6	2.25	190.53	169.91	142.49	164.66	143.78	264.82	102.45	249.30
South Africa (39)	218.08	-2.6	194.83	167.21	191.32	265.49	-1.1	3.49	224.00	199.76	167.52	193.58	268.54	348.20	151.55	282.74
Spain (30)	363.88	-2.6	325.09	279.01	319.24	395.24	-1.2	2.00	373.64	333.20	279.43	322.90	400.08	417.73	241.05	249.91
Sweden (46)	472.79	-2.2	422.39	362.51	414.78	553.23	-1.0	2.11	483.26	430.96	361.41	417.64	558.63	628.19	379.18	477.54
Switzerland (30)	380.52	-2.0	339.95	291.77	333.84	328.89	-0.1	1.30	388.37	346.34	290.44	335.63	329.19	439.48	307.73	312.59
Thailand (35)	21.95	-5.8	19.61	16.83	19.26	31.37	-5.3	3.01	23.30	20.78	17.43	20.14	33.13	35.82	8.15	35.82
United Kingdom (208)	351.90	-1.1	314.38	269.82	308.72	314.39	-0.9	3.12	355.82	317.31	266.10	307.50	317.31	401.84	307.98	318.56
USA (621)	462.69	-0.9	413.37	354.77	405.92	462.69	-0.9	1.41	466.97	416.43	349.22	403.56	466.97	465.88	369.13	377.96
Americas (801)	412.65	-0.9	368.66	316.40	362.02	349.94	-0.9	1.44	416.56	371.48	311.53	359.99	353.21	437.03	335.19	343.68
Europe (738)	329.94	-1.8	294.77	252.98	289.46	300.38	-0.7	2.24	335.95	299.59	251.24	290.33	302.48	366.24	272.02	275.21
Eurobloc (347)	95.59	-2.1	85.40	73.29	83.86	90.74	-0.8	1.89	97.65	87.08	73.02	84.38	91.32	113.26	81.53	–
Nordic (146)	441.32	-1.9	394.28	338.38	387.17	440.64	-0.6	2.03	450.05	401.35	336.57	388.94	443.48	555.87	360.04	422.21
Pacific Basin (730)	101.48	-2.8	90.66	77.81	89.03	79.68	-0.8	1.62	104.37	93.08	78.06	90.20	80.52	119.48	82.88	114.07
Euro-Pacific (1468)	196.42	-2.1	175.46	150.61	172.32	162.56	-0.7	2.06	200.60	178.89	150.02	173.36	163.75	220.19	166.00	181.30
North America (740)	444.64	-0.9	397.24	340.93	390.09	445.72	-0.9	1.43	448.84	400.27	335.67	387.89	440.89	469.20	358.16	367.82
Europe Ex. UK (530)	307.87	-2.1	275.05	236.06	270.10	284.45	-0.6	1.81	314.53	280.49	235.22	271.82	286.13	369.32	242.12	245.98
Europe Ex. Eurobloc (391)	89.95	-1.4	80.35	68.97	78.91	89.04	-0.8	2.61	91.27	81.39	68.26	78.88	89.72	103.99	77.40	–
Europe Ex. UK Ex. Eurobloc (183)	90.59	-2.1	80.94	69.46	79.48	87.06	-0.4	1.57	92.57	82.55	69.23	80.00	87.43	109.21	75.16	–
Pacific Ex. Japan (284)	176.04	-2.1	157.27	134.98	154.44	178.22	-1.9	3.81	179.84	160.37	134.49	155.42	182.79	217.77	128.26	214.88
World Ex. Eurobloc (1961)	96.73	-1.3	86.42	74.17	84.86	85.77	-0.9	1.69	98.03	87.42	73.31	84.72	86.62	103.16	83.09	–
World Ex. US (1687)	196.85	-2.0	175.86	150.93	172.70	167.80	-0.8	2.07	200.86	179.21	150.29	173.67	169.07	221.91	165.95	185.07
World Ex. UK (2100)	275.91	-1.5	246.50	211.55	242.05	246.97	-0.8	1.56	280.08	249.77	209.46	242.05	249.03	298.02	234.24	240.33
World Ex. Japan (1862)	376.47	-1.3	336.34	288.66	330.28	366.07	-0.9	1.80	381.34	340.06	285.18	329.55	369.31	411.23	312.98	319.50
The World Index (2308)	282.45	-1.4	252.34	216.57	247.80	253.22	-0.8	1.72	286.61	255.59	214.34	247.69	255.36	306.56	241.30	246.98

 PLEASE NOTE: The World Indices quarterly changes are effective 27/11/98. For further information contact FTSE International Limited. CONSTITUENT CHANGES WITH EFFECT 9/11/98: Name Change: Sun Company to Sunoco Inc (USA). CONSTITUENT CHANGES WITH EFFECT 12/11/98: Deletion: Chrysler Corporation (USA); Name change: Daimler Benz is now DaimlerChrysler (Germany). Latest prices were unavailable for this edition.

Emerging markets:

IFC Investable indices

Dollar terms

Nov 9 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	889.41	-2.5	-22.1
Brazil	334.79	-0.4	-30.6
Chile	475.57	-1.7	-26.0
Colombia[1]	334.32	+0.3	-59.5
Mexico	503.92	-2.1	-36.1
Peru[2]	133.52	-0.6	-39.7
Venezuela[3]	356.45	-3.8	-61.0
East Asia			
China[4]	29.62	-0.9	-46.4
India[7]	62.91	+3.1	-24.5
Indonesia[8]	20.03	+2.0	-40.5
Korea[5]	34.20	+1.9	+42.3
Malaysia	73.80	+3.2	-18.0
Pakistan[6]	79.21	-0.1	-68.1
Philippines	107.29	-3.6	-4.8
Sri Lanka[10]	67.41	+0.6	-42.1
Taiwan, China[9]	118.95	+0.9	-15.7
Thailand	65.52	-4.3	+39.3
Europe			
Czech Rep	49.08	-0.9	-10.3
Greece	500.11	-2.3	+54.4
Hungary[11]	255.38	-1.2	-18.9
Poland[12]	584.11	-0.9	-5.5
Portugal	286.09	-2.0	+35.5
Russia	22.66		-84.6
Slovakia	42.76	-1.2	-56.9
Turkey[14]	151.52	-2.8	-51.5
Mideast/Africa			
Egypt	86.10	+0.8	-29.1
Israel	91.78	-3.3	-24.8
Jordan	209.13	-0.4	-0.5
Morocco	171.48	-0.6	+31.6
S Africa[13]	146.97	-3.4	-18.2
Zimbabwe[15]	94.99	-0.3	-62.3
Regions			
Composite	166.84	-1.4	-24.0
Latin America	458.34	-1.5	-32.4
Asia	93.66	+0.5	-13.0
EMEA	115.57	-2.5	-21.7
Europe	139.12	-2.0	-28.2
Eastn Europe	58.83	-0.8	-59.5
ME & Africa	59.30	-2.9	-17.1
Comp + Malay	167.42	-1.1	-23.6
Asia + Malay	93.67	+1.1	-13.1

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

FTSE

4 pm close November 10

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

37½	28$\frac{13}{16}$	WPS Rs	1.98	5.8	15	276	34$\frac{1}{8}$	33$\frac{5}{8}$	34
104$\frac{3}{8}$	70$\frac{13}{16}$	Wrigley	0.80	0.9	33	1965	85½	83¾	85½
25$\frac{1}{16}$	15⅛	Wynns Int	0.24	1.2	14	356	20⅛	20	20¾

- X - Y - Z -

118½	65$\frac{3}{16}$	Xerox	1.44	1.4	73	6862	104	101$\frac{1}{16}$	101$\frac{3}{16}$	[illegible]
65$\frac{1}{16}$	37½	Xtra Corp			12	137	44$\frac{15}{16}$	44	44$\frac{3}{16}$	[illegible]
31⅛	22½	Yankee Egy	1.38	4.5	24	167	31	30⅞	30$\frac{13}{16}$	[illegible]
62¼	27½	York Int	0.48	1.1	23	2037	42¼	40$\frac{9}{16}$	42¼	[illegible]
24$\frac{13}{16}$	6½	Zapata			2	6896	8¼	7½	8⅜	[illegible]
30½	23	Zenith Nat x	1.00	4.2	17	80	24	23⅞	24	[illegible]
6$\frac{3}{8}$	5$\frac{3}{8}$	Zweig Inc	0.70	11.1		200	6⅛	6$\frac{1}{16}$	6⅛	[illegible]
14$\frac{3}{8}$	8¾	ZweigFd	1.08	9.5		274	11⅜	11$\frac{3}{16}$	11$\frac{3}{8}$	[illegible]
9$\frac{1}{2}$	8⅛	Zweig Totl x	0.84	9.5		481	8¾	8⅝	8¾	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 9	Nov 6	Nov 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8897.96	8975.46	8915.47	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.09	106.34	106.50	107.02 (5/10)	104.42 (11/5)	107.02 (5/10/98)	54.99 (1/10/81)
Transport	2909.84	2968.48	2960.52	3686.02 (15/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	307.38	307.05	307.05	320.51 (8/10)	262.56 (9/1)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 8924.48 (8942.49) Low 8813.00 (8837.02) (Theoretical) Day's high 8885.50 (8880.01) Low 8845.96 (8887.18) (Actual)

Standard and Poors	Nov 9	Nov 6	Nov 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1130.20	1141.01	1133.88	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1349.85	1369.24	1348.09	1398.46 (17/7)	1077.40 (9/1)	1398.46 (17/7/98)	3.52 (30/6/32)
Financial‡	122.45	125.31	125.10	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	559.14	565.10	562.18	600.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.54 (25/4/42)
Amex Comp	[illegible]						
NASDAQ Comp	[illegible]						
Russell 2000	[illegible]						

■ RATIOS

[illegible]

US DATA

■ MARKET ACTIVITY

● Volume (million)	Nov 9	Nov 6	Nov 5
NYSE	593.000	683.159	770.210
Amex	24.223	23.701	26.058
NASDAQ	848.058	941.785	921.726

NYSE	Nov 9	Nov 6	Nov 5
Issues Traded	3,506	3,629	3,511
Rises	1,109	1,709	1,788
Falls	1,917	1,390	1,267
Unchanged	480	498	456
New Highs	53	68	71
New Lows	25	31	24

■ NYSE TRADING ACTIVITY — Volume : 593,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq	11,827,100	32¼	+⅛
Citgrp	11,446,100	45	−1
AmOnLne	7,802,000	144⅝	+4⅝
Chrysler	6,885,100	47⅞	−2⅛
Intergp Cp	5,487,400	8⅛	−⅝
Cisco	5,220,800	25⅞	+⅜
Cendant	4,820,400	13⅞	−⅝
LucentTch	4,708,700	86⅝	−1⅝
AT&T	4,574,700	64⅝	[illegible]
[illegible]	[illegible]		

■ BIGGEST MOVERS

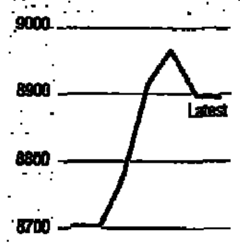
Monday	Close price	Day's change	Day's chge %
Ups			
Yeniz	12⅝	+2⅛	+20.1
SkoBr	13⅛	+1⅜	+11.8
Loewen	11⅛	+1	+9.9
Tcbmrk	38⅝	+3⅛	+8.9
Downs			
CMS Elect	16⅛	−1⅝	−8.9
Dollar Gn	25	−2⅛	−8.3
Vishay Int	15⅞	−1⅛	−7.3
[illegible]			

■ NASDAQ TRADING ACTIVITY

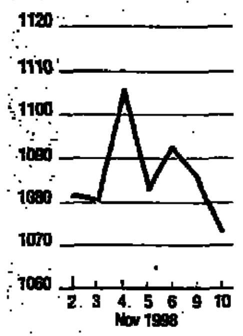
■ ACTIVE STOCKS / ■ BIGGEST MOVERS

[illegible]

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14108.09	14194.54	14121.97	17264.34	12879.97	38915.9	85.25

Day's high: 14270.05. Day's low: 14098.23.

■ TOKYO TRADING ACTIVITY — Volume : 368,000,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
AokiCp	15,596,000	89	+2
SomMtl	10,982,000	122	
NpStl	8,478,000	218	+3
Sakura	7,441,000	317	−11
Toshiba	6,378,000	583	−10
BTokMi	5,388,000	1154	−11
FujiBk	5,314,000	506	+15
YasTrB	4,821,000	135	+1
NHK Sp	4,803,000	350	+15
MatsEl	4,456,000	1975	+42

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
NgTdys	155	+30	+24
FujitCp	87	+6	+9.8
HtCable	588	+46	+8.5
IsoFds	530	+40	+8.2
Downs			
Shseido	1177	−114	−8.8
Kumatsu	572	−51	−8.2
MSteel	1515	−131	−8.0
MbChem	212	−17	−7.4

FRANCE

	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3544.74	3585.32	3598.63	4388.48	2862.54	4388.48	984.61

Day's high: 3583.89 Day's low: 3525.63.

■ PARIS TRADING ACTIVITY — Volume : 511,300,350

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
FrTele	1,891,294	379.9	+9.9
Alcatel	1,482,867	583	−17
RhonPA	1,371,819	254.8	−10.2
Usinor	876,327	63.2	−2
Axa	745,587	633	−13
BNP	588,222	349	−8
Schndr	547,618	324.9	−8.4
Paribas	517,234	416	−19.1
TotalB	497,709	672	−8
Renault	487,168	235	−3.2

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Rexel	534	+36	+7.2
CNP	185	+8	+4.5
SAT	2070	+89	+4.5
Downs			
CrFonF	84	−9	−9.7
Atos	1031	−90	−8.0
Accor	1124	−76	−8.3
Moulinx	100	−8.5	−8.1
Tchnip	554	−36	−6.1

GERMANY

	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4662.78	4768.58	4838.22	6171.43	3896.08	6171.43	931.18

Day's high: 4770.86. Day's low: 4660.54.

■ FRANKFURT TRADING ACTIVITY — Volume : (m)

■ ACTIVE STOCKS / ■ BIGGEST MOVERS

[illegible]

UK

	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5432.3	5433.9	5491.0	6179.00	4648.70	6179	986.9

Day's high: 5435.7 Day's low: 5359.5.

■ LONDON TRADING ACTIVITY — Volume : 858,700,000

■ ACTIVE STOCKS / ■ BIGGEST MOVERS

[illegible]

INDEX FUTURES

[illegible]

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close November 10

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close November 10

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Rubin sounds cautionary note as rally fades

WORLD OVERVIEW

Stock markets mostly headed moderately lower yesterday amid a growing sense that the strong rally of recent weeks may have run out of steam, at least temporarily, *writes Martin Dickson.*

A cautionary note was struck by Robert Rubin, US treasury secretary, who said that resolving the global financial crisis will take "many months, maybe years". He told a business trade group that "there's still going to be a substantial period ahead with a lot of difficulty".

However, the speech had little to give the market direction. Traders had been hoping that Mr Rubin would give some details of the International Monetary Fund aid package to Brazil, which is expected to be finalised this week.

But he merely said it was important to help Brazil, since a collapse in Latin America's biggest economy could have "very substantial effects on the hemisphere and therefore on us".

Meanwhile, some analysts were questioning whether the US Federal Reserve would cut interest rates at its meeting on November 17, in the light of the stock market's strong recent performance.

An overnight drop on Wall Street gave a downbeat tone to the start of Asia's trading day, and that was compounded by yen weakness, which hit equity markets across the region.

Tokyo closed only modestly lower in subdued trading, with many adopting a cautious approach ahead of news of the government's new economic stimulus measures. 16.

Bourses recording sharp falls included Bangkok, Seoul and Manila. In Taiwan, the market had to contend not only with local currency weakness but press reports of a new corporate default.

European bourses opened generally lower and most remained that way for the day, even though Wall Street managed to recover in morning trading from its slightly lower opening.

European sentiment was not helped by a gloomy trading statement from BASF, Germany's largest chemicals group, which warned it was unlikely to match this year's earnings in 1999. It said dollar weakness and price pressures had weighed on its third quarter.

Juergen Strube, management board chairman, said he saw hard times ahead for the industry and German chemicals stocks fell sharply.

In the UK, the British retail consortium issued a gloomy report on high street conditions, yet the FTSE 100 index managed a rally to end only marginally lower.

Dow steady as high-tech shares climb

AMERICAS

Wall Street was steady in midsession trade with minor selling in most sectors but enthusiasm for high-tech shares, *writes John Labate in New York.*

The Dow Jones Industrial Average was down less than a point at 8,897.19 while the Standard & Poor's 500 index edged just 0.04 higher to 1,130.24.

Leading the Dow lower, Walt Disney fell $¾ to $28¾. But McDonald's shares were more than 4 per cent higher to $70½ after Merrill Lynch raised its target price for the restaurant chain.

Wal-Mart, the leading US retailer, fell $⅛ to $69¾ in spite of reporting better-than-expected quarterly earnings. Other retail shares pulled back, with Dayton Hudson down $1½ to $44⅛. Among specialty retailers, Nine West fell more than 6 per cent to $12¼.

Investors paid more attention to internet shares, including Amazon.com, up 7 per cent to $135¾. Excite, the online search engine, surged $5⅛ or more than 11 per cent to $52⅞ a day after the company announced a retail billing system.

E*Trade, the online trading system, was also up sharply, gaining more than 7 per cent to $26¾ after it announced a partnership with others for a new options exchange to begin operating in 2000.

Buoyant internet trading helped keep the Nasdaq composite in positive territory. By early afternoon, the Nasdaq was 4.05 higher at 1,865.10. The Russell 2000 index of small company shares sold off, down 2.23 to 396.20.

In the real estate sector, shares of Patriot American was down more than 21 per cent or $2 to $7¼ on liquidity concerns at the company.

US Treasuries gained ground, with the benchmark 30-year Treasury bond up ⅛ to 99⅛, sending the yield down to 5.279 per cent.

Banking shares were off, with Chase Manhattan down $¾ to $58 and Citigroup off $1¼ to $43¾.

TORONTO traded lower at midsession as the market paused for breath after last week's gains. The TSE-300 composite index was 29.78 lower at 6,311.60 in volume of 27m shares.

Overall, 12 of the 14 sub-indices opened in negative territory, led by a 1.3 per cent dip in financial services and a near-1 per cent decline in the conglomerates group.

In the banking group, Canadian Imperial Bank of Commerce was heavily traded, losing 55 cents to C$30.15, and Bank of Montreal fell C$1.65 to C$58. Fairfax Financial Holding picked up from an early low of C$480 to trade just 5 cents easier by midsession at C$484.95.

The gold and precious metals group bucked the morning's negative trend, with gold miner Teck Corp 5 cents higher at C$13.20.

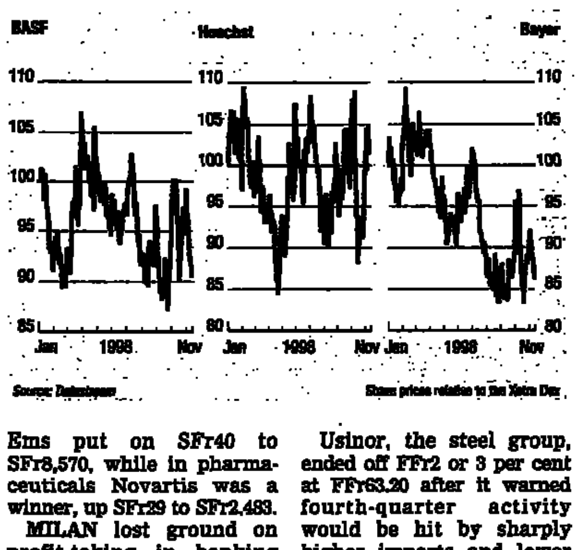
Dax chemicals lose formula

EUROPE

Indications from BASF of a slowdown in sales in the chemicals sector and a warning that the company's 1999 results would not match the current year's performance sent FRANKFURT lower for a second day.

The Xetra Dax index closed 81.04 or 1.7 per cent lower at 4,681.34 as the weak early performance of Wall Street also failed to provide inspiration.

BASF lost DM2.10 to DM63.90 after the group reported that the sluggish dollar and price pressure had weighed heavily on its third-quarter performance.



Source: Datastream

The FTSE Eurotop 300 index fell 11.59 or 1.07 per cent to 1,073.21. See Euro Prices page.

Among other chemicals groups, Schwarz Pharma fell DM7.50 to DM109 after it warned that dollar weakness and the Russian crisis had hurt its third-quarter results.

Bayer gave up DM2.65 to DM64.80 ahead of results today, while Schering slid DM6.10 to DM187.10.

Henkel lost DM7 to DM134 in spite of Monday's news of a 17 per cent rise in nine-month net profit.

The only chemicals group to buck the weak trend was Degussa, which edged 10 pfg higher to DM80.60 in response to its news of a higher dividend.

ZURICH pulled back, but the modest level of trade and the continuing absence of any rally in the wake of the Ciba-Clariant merger plan suggested the market was likely to continue its consolidation for some sessions to come. The SMI index fell 87.0 to 6,564.1.

Ciba pulled back SFr7.25 to SFr137.50 after Monday's 14 per cent surge and Clariant, down SFr34 to SFr745, gave up all of Monday's advance.

Mixed feelings emerged about the tie-up. Some analysts continued to point to possible synergies while others cautioned that mergers were not automatically positive.

Elsewhere in chemicals, Ems put on SFr40 to SFr8,570, while in pharmaceuticals Novartis was a winner, up SFr29 to SFr2,483.

MILAN lost ground on profit-taking in banking shares, and the Mibtel index fell 196 to 20,214.

Banca Commericale Italiana lost L296 or 2.6 per cent to L11,051 and Banca di Roma lost L86 to L2,924 after BCI's board approved a preliminary study for a merger. Investors said concerns that Banca di Roma may need a capital infusion to boost its balance sheet prompted profit-taking.

Assicurazioni Generali rose L1,600 or 2.7 per cent to L60,145 after announcing a strategic tie-up with Germany's Commerzbank.

PARIS edged lower for a second day, ending down just over 1 per cent on a quieter-than-average day.

The CAC-40 index closed off 40.58 at 3,544.74 after trading around 3,500 for much of the day. The total volume traded was about FFr10bn, compared with an October average of FFr12bn.

Pharmaceutical companies were among the biggest sufferers as they started to shed some of the gains made on recent hopes of merger activity. Rhône-Poulenc finished FFr16.20 or 6 per cent down at FFr254.80.

Market operators said some blue-chip stocks were being sold to raise cash for the forthcoming France Telecom share issue. France Telecom itself shrugged off recent pressure to finish up FFr10.20 or 2.8 per cent at FFr379.90.

Usinor, the steel group, ended off FFr2 or 3 per cent at FFr63.20 after it warned fourth-quarter activity would be hit by sharply higher imports and lower selling prices.

AMSTERDAM fell slightly on a quiet day after trading was suspended for 90 minutes because of technical difficulties. The AEX index finished down 17.52 or 1.7 per cent at 1042.80.

Shares in Ceteco, the consumer goods retailer, fell Fl 8.40 or 23 per cent to Fl 27.70 after the company downgraded its 1998 profits forecast and announced the resignation of Fritz Eigenfeld, its chairman.

Ten Cate, the textile company, announced that it would make a loss and incur a substantial reorganisation charge this year. The shares finished down Fl 12.60 or almost 22 per cent at Fl 45. Baan, the software company, fell Fl 3.10 or 10 per cent Fl 27 as US investors continued to sell.

MADRID retreated on profit-taking and the general index closed down 12.47 or 1.6 per cent at 788.28.

Banks led the most actively traded stocks, with Banco Bilbao Vizcaya down Pta55 or 2.7 per cent to Pta2,000 and Santander down Pta135 or 4.8 per cent to Pta2,665.

Adolfo Dominguez, the fashion group, lost Pta200 or 5.6 per cent to Pta3,260 after a fall in nine-month net profits. Two local brokers downgraded the company.

HELSINKI was dragged down by a decline in Nokia and the Hex index slipped 104.86 or 2.3 per cent to 4,426.04.

The fall in Nokia's ADRs in New York dragged the stock down FM13.50 or 3 per cent to FM445. Turnover was high after the flotation of Sonera, which closed at FM62, a 38 per cent premium to its issue price.

Raisio, the food group which had been sold off over the past few days on concerns over the US launch of Benecol, its anti-cholesterol margarine, rose FM0.60 or 1 per cent to FM53.80 on a broker upgrade.

Written and edited by Michael Morgan, Emiko Terazono, Peter Hall and Michael Peel

São Paulo drops back after six days of gains

Shares in SAO PAULO were weak at midsession as investors took profits after six straight sessions of gains.

The Bovespa index was 192 or 2.3 per cent lower at 8,051, having rocketed 26 per cent over the six days on optimism about the imminent announcement of a line of credit from the International Monetary Fund and other global lenders.

Among blue-chip stocks, Eletrobrás preferred took the biggest hit, dropping 5.2 per cent to R$30.80.

MEXICO CITY was weak at midsession in line with the early trend on Wall Street as investors awaited details of the 1999 budget bill due later in the week. The IPC index was 31.93 lower at 4,169.31.

Analysts said the market was awaiting the government's 1999 budget bill, which it will send to congress on Friday.

Investors are speculating whether it will include a solution to the controversial Fobaproa bank bailout.

BUENOS AIRES was easier at midday as investors cashed in some of the gains that sent the market up 8 per cent last week and 20 per cent in October. The Merval index was 1.15 weaker at 470.53.

Currency slide hits Jo'burg

SOUTH AFRICA

Weakness in other equity markets and the declines in Asian currencies prompted profit-taking in South African stocks, and the overall index closed down 132.2 or 2.2 per cent at 5,783.9.

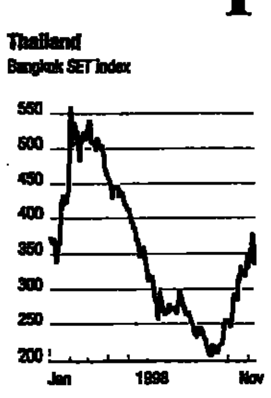
Financials were hardest hit, with the sector down 3.8 per cent. Industrials lost 1.9 per cent while gold shares sagged 1.6 per cent due to the lacklustre bullion price.

South African Breweries was actively traded ahead of its interim results today, closing down 420 cents or 3.7 per cent at R108.80.

Weak baht depresses Bangkok

ASIA PACIFIC

The weaker baht triggered a sell-off in BANGKOK and the SET index tumbled 27.23 or 7.5 per cent to 336.62.



Source: Datastream/ICV

Foreign investors led the selling, which prompted concerns among local retail investors.

Banks lost 14 per cent, finance shares retreated 11.9 per cent and telecom stocks were down 10 per cent. Krung Thai Bank, the most active stock, fell Bt3 to Bt16.25 while Bangkok Bank declined Bt6 to Bt44.

TOKYO remained wary amid reports that the government was considering the distribution of gift vouchers to help boost consumption, *writes Naoko Nakamae.*

The Nikkei 225 Average fell 86.45 to 14,108.09 after trading between 14,270.05 and 14,099.23. Other indices were also lower, with the weighted Nikkei 300 index losing 1.31 to 214.79, while the broader Topix index of first-sector stocks fell 5.84 to 1,078.32. Volume was 366m shares, with 681 falling issues and 395 rising.

Poor earnings reports also depressed the market. Shiseido, which announced weak interims on Monday saw its shares tumble 8.8 per cent or Y114 to Y1,177. Shares of construction machinery maker Komatsu, which also announced a drop in earnings, fell sharply too, losing 8.2 per cent or Y51 to Y572.

Exporters benefited from the yen's continuing weakness. Sharp was up Y39 to Y973, Honda Motor Y120 to Y4,140, Canon Y70 to Y2,685, Matsushita Electric Y42 to Y1,975 and Sony Y40 to Y8,390.

In Osaka, the OSE index fell 30.53 points to 14,606.77.

SEOUL dropped 5 per cent, reflecting concerns about the weakness of the yen and the composite index finished 21.21 lower at 403.24.

Brokers said investors were worried that the yen's decline against the dollar could put pressure on the won, discouraging purchases of local stocks. There were also concerns that the yen's fall might affect Korea's export competitiveness.

SINGAPORE was lower for a fourth straight session, extending its losses to almost 10 per cent since last Wednesday, as overnight weakness on Wall Street, a sliding Singapore dollar and firmer interbank rates again knocked the market down.

The Straits Times index lost 47.22 or 3.9 per cent to 1,172.06 in active volume of 405.7m shares. All the sectoral indices were lower, led by a 7 per cent drop in the property sector and heavy falls in construction, commerce and finance sectors.

Keppel Land, which topped the active list with 23m shares changing hands, sank 7 cents to S$1.56.

The property sector index has lost almost 20 per cent since last Wednesday, but is still 64 per cent higher than its low in early September.

TAIWAN was hit by fresh reports of corporate financial troubles, and the weighted index lost 145.10 or 2.1 per cent to 6,812.30.

Financial problems at Kuo Yang Construction unnerved investors. The construction index sank 2.9 per cent, with Kuo Yang down T$2.40 to T$32.50. The electronics sector lost 2.2 per cent, with Taiwan Semiconductor losing T$2.5 to T$66.

MANILA dropped 4.4 per cent as investors continued to take profits on the back of a weak peso and Wall Street's overnight fall. The composite index lost 75.41 to 1,637.10, adding to Monday's 4.7 per cent tumble.

Metropolitan Bank topped the list of actively traded stocks with a loss of 18 pesos or 7.4 per cent to 227 pesos.

JAKARTA was lower as the market awaited the result of a meeting to ratify a timetable for elections.

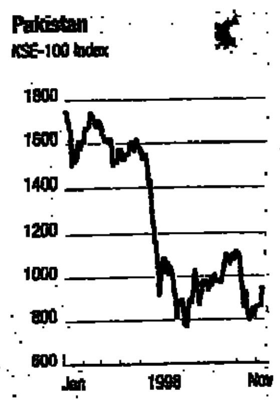
The four-day special meeting of the People's Consultative Assembly, Indonesia's highest legislative body, began yesterday in parliament amid demonstrations outside by pro-democracy campaigners.

The composite index ended down 7.1 at 357.30 as investors indulged in short-term speculative selling of blue-chip companies.

EMERGING MARKET FOCUS

Karachi default worries recede

Pakistan's share prices rocketed 10.5 per cent yesterday, driven up by expectations of an imminent bailout for the country's cash-strapped economy.



Source: Datastream/ICV

The KSE-100 index rose 90.18 to 947.76, the market's sharpest single-day rise since India and Pakistan conducted nuclear tests in May, prompting the US and other western countries to impose economic sanctions.

Since then, Pakistan's liquid foreign exchange reserves have been depleted sharply, fuelling fears of a prolonged period of uncertainty and losses for equity investors.

Yesterday's rise was largely prompted by the belief that Pakistan and the International Monetary Fund were close to a new loan agreement that would help the country stave off a default on its foreign debt.

IMF officials are expected in Islamabad today for discussions with finance ministry officials. An IMF loan is likely to be the cornerstone of a $5bn package of international assistance to help Pakistan make its repayments between now and next June, when the financial year ends.

The rally, after Monday's public holiday, was also attributed in part to Friday's news from Washington that the Clinton administration was lifting some of the sanctions, including restrictions on multilateral loans to Pakistan.

Sikandar Khawaja at HSBC said: "A positive climate has been created with the belief that the sanctions will be lifted. The sentiment has also been helped by the expectations of a deal with the IMF. The market believes that there won't be a default on the foreign debt."

However, analysts warned that yesterday's robust performance may not be sustainable for more than a few days, and does not necessarily presage an inflow of foreign investment.

Many business people remain sceptical over prospects for foreign investment in view of Pakistan's harsh treatment of its power companies. These were given permission under the government of Benazir Bhutto, the former prime minister, to invest in the resource-starved energy sector.

However, prime minister Nawaz Sharif's government ordered investigations into the alleged bribery of officials involved in the deal.

Analysts said that foreign investor scepticism continued to be a problem after Pakistan's unilateral freezing of $11bn on foreign currency accounts in May.

The freeze, within hours of Pakistan's nuclear tests, was ordered to prevent a run on foreign currency accounts triggered by the fear of western sanctions. Many investors found themselves unable to repatriate funds.

Ambreen Shaukat, equity analyst at Karachi's Khadim Ali Shah Bukhari brokerage, said: "Until the foreign exchange accounts issue is resolved, foreign investors would still not return."

She also predicted some downturn as investors take profits after yesterday's rally, the first chance in a long time to cut their losses.

Farhan Bokhari

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